

STATE OF MAINE

Interdepartmental Memorandum

March 19, 2012

To: The Joint Standing Committee on Taxation

From: David P. Ledew, Property Tax Division Director, Maine Revenue Services (MRS)

Subject: LD 1878 – An Act To Allow Reimbursement and Abatement of Property Taxes Paid or Owed on a Primary Residence Destroyed by Fire

Primary Sponsor: Representative Anne Graham.

Estimated Revenue Impact: No State impact.

Estimated Administrative Cost Impact: The administrative cost to Maine Revenue Services to enact this legislation is nominal and can be absorbed within the existing budgetary allotments.

Identified Issues: The bill would allow an “owner” of a permanent residence that is made uninhabitable by fire to apply for a reimbursement or abatement of property taxes paid or owed on the building. It should be made clear that the residence rendered inhabitable must be the permanent residence of the “owner”. We would suggest the bill be amended to define the nature of origin of fires to exclude willful and intentionally set fires. We would also suggest the reimbursement or abatement granted by the municipality be limited to the period of time that the property was rendered uninhabitable and proration be based on the fiscal year for which the taxes were assessed.

This process of receiving and processing reimbursements and abatements appears to create a municipal mandate requiring state reimbursement for at least 90% of the cost to administer this program. Because this abatement appears to be permissive, we do not believe that it would be considered an exemption or credit enacted by the Legislature and requiring at least 50% reimbursement. Consequently, there is a concern that this approach creates a constitutional issue because taxing jurisdictions would be able to choose whether or not to provide such an abatement (which could be construed to be an exemption), likely resulting in disparate application.

Similar Legislative Proposals: LD 94, First Regular Session of the 119th Maine Legislature

cc (by e-mail): Office of Fiscal & Program Review
Office of DAFS Commissioner
Office of the Attorney General
Office of Policy & Legal Analysis

State Budget Office
Office of the Governor
Revisor's Office
Office of Information Technology