

The State Property Tax Deferral Program: 2024 Guide for Municipalities

36 M.R.S. §§ 6250-6266

The Deferred Collection of Homestead Property Taxes Program, also known as the State Property Tax Deferral Program (the “Program”), is a State program that allows qualifying individuals to defer payment of the property taxes on their homesteads until they pass away, move, or sell their property. During the period when the taxes are being deferred, the State reimburses the municipality for the deferred taxes. The deferred tax, plus interest, is then required to be repaid to the State by the individual or their estate when they pass away, move, sell the property, or move the property out of Maine (if mobile or floating home).

The State Property Tax Deferral Program should not be confused with the Municipal Property Tax Deferral for Senior Citizens Program 36 M.R.S. Chapter 908-A (§ 6271). Except as noted, references to the “Program” in this publication means the State Property Tax Deferral Program.

Program Administration

Maine Revenue Services (“MRS”):

- Overall responsibility for administration of the Program
- Reviews and approves applications
- Notifies municipal assessors which accounts are approved to participate
- Reimburses municipalities for taxes deferred under the Program
- Tracks deferred taxes and interest for each account
- Provides an annual notice/statement to each participating taxpayer
- Records a list of tax deferred properties for each municipality with the county registry
- Collects deferred taxes when a participating taxpayer passes away, moves, or sells the property

Municipal Assessor:

- Accepts applications from interested applicants between January 1 and April 1
- Verifies certain information on the application and forwards to MRS within 30 days of receipt
- After notification from MRS, labels participating accounts in the commitment book
- Notifies MRS of potential changes that may affect a taxpayer’s ongoing eligibility for the program, such as removal of a homestead exemption, change in ownership status, or enrollment in a municipal property tax deferral program

Municipal Tax Collector:

- Completes Municipal Report listing participating accounts and forwards to MRS with associated tax bills within 30 days of commitment
- Notifies MRS if a newly filed municipal lien is placed on a property enrolled in the program

Eligibility Requirements

Eligible Individuals:

To be eligible for the program, one of the following two conditions must be met on April 1 of the year for which the applicant first requests deferral:

1. The applicant is at least 65-years old or
2. The applicant is unable to work due to disability.

To qualify under the disability section, the applicant must have been determined by a state or federal agency to have a permanent and total impairment or condition that prevents them from being employed. For more information on who may qualify under the disability group, see MRS [Rule 211](https://www.maine.gov/revenue/publications/rules) at <https://www.maine.gov/revenue/publications/rules>.

In addition, the applicant must have income of less than \$80,000 for the calendar year immediately preceding the calendar year in which the claim is filed and must have liquid assets of less than \$100,000 (or \$150,000 if filing a joint application). Liquid assets are anything of value that can be converted to cash in three months or less, including:

- Bank accounts and CDs;
- Money market and mutual funds;
- Life insurance policies;
- Stocks and bonds; and
- Lump-sum payments and inheritances.

Qualified retirement accounts, such as an IRA or 401(k), are not considered liquid assets for purposes of this Program.

Eligible Property

An applicant who meets the eligibility requirements above may request deferral of property taxes on their homestead. The applicant must own and occupy the homestead as their principal dwelling, and the property must be receiving a homestead exemption. For purposes of the Program, the homestead includes the principal dwelling and up to ten contiguous acres on which the homestead is located.

If the applicant's homestead is located in a multi-unit building, the eligible property is the portion of the building used as the principal dwelling plus the percentage of the value of the common areas and the land on which the building is located.

Other requirements:

- There must be no existing municipal lien on the property unless it falls under the exception below;
- The property cannot be receiving a deferral of taxes under a municipal property tax deferral program;
- There must be nothing prohibiting the deferral in any federal law, rule, or regulation; and

- The applicant must own the property in fee simple, i.e., there must be no limitations on the applicant's ability to sell or encumber the property.

Generally, properties encumbered by municipal liens are not eligible for participation in the Program. However, if an applicant has no more than two years of delinquent property taxes on their property and has outstanding municipal liens associated with those taxes, the applicant may still qualify for the Program.

Application Process

An eligible taxpayer who wishes to defer their taxes must file a completed application with the assessor in the municipality in which their homestead is located between January 1 and April 1. The application is available on the MRS [website](https://www.maine.gov/revenue/tax-return-forms/property-tax) at <https://www.maine.gov/revenue/tax-return-forms/property-tax>. The municipal assessor, after verifying certain information regarding the property, will forward the application to MRS within 30 days of receipt. Pursuant to 36 M.R.S. § 191, an application and information contained within an application are confidential and not public records as defined in 1 M.R.S. § 402(3). Municipal assessors should not retain copies of the applications once they have been forwarded to MRS.

MRS will review and approve or deny the application and may request additional information from the taxpayer or the municipality to confirm the applicant's eligibility for the Program. If MRS determines that a taxpayer is not eligible to participate in the Program, MRS will send the taxpayer a notice of the denial. They may file an appeal of the denial with the State Board of Property Tax Review within 30 days of receipt of the notice.

MRS will notify each municipal assessor which accounts have been approved for deferral in their municipality for the tax year on or before May 1. The municipal assessor must note in the commitment book each year which accounts are participating in the Program.

Within 30 days of commitment of taxes, the municipal tax collector must complete the Municipal Property Tax Report, available on the MRS [website](https://www.maine.gov/revenue/taxes/property-tax/affidavits-applications-certificates) at <https://www.maine.gov/revenue/taxes/property-tax/affidavits-applications-certificates>, listing the properties in the municipality that are participating in the deferral program, along with copies of the associated property tax bills. MRS will review the report and reimburse the municipality for the deferred taxes within 60 days of receipt of the report and all required documentation.

Program Maintenance

When an applicant has been accepted into the Program, MRS will create an account for that taxpayer. Taxes that have been deferred will accrue interest at the general statutory rate for delinquent taxes, minus one percentage point.

MRS will annually notify municipalities which properties are eligible for reimbursement. MRS will send each participating taxpayer an annual statement of the total amount of deferred property taxes, accrued interest, lien charges, and voluntary payments. Participating taxpayers may make full or partial payments towards the deferred tax at any time without affecting the tax-deferred status of the

property. Taxpayers approved to participate in the Program may continue to defer future taxes without having to reapply until (1) there is an event that requires complete removal from the Program and repayment of all deferred taxes from previous years plus interest and costs, or (2) there is an event that prevents the deferral of future taxes.

Category 1 - Events requiring complete removal and repayment:

- The taxpayer dies;
- The tax-deferred property is transferred;
- The tax-deferred property ceases to be the taxpayer's homestead, unless the individual is absent for health reasons; or
- The tax-deferred property (in the case of a mobile or floating home) is removed from the State.

If an event requiring complete removal and repayment occurs, the municipal assessor must inform MRS. If MRS determines that the taxpayer is not eligible to remain in the Program, MRS will send notice by certified mail to the taxpayer or their heir(s) listing the total amount of deferred taxes and interest outstanding on the tax-deferred property and demanding payment within 12 months of the repayment event. If the outstanding amount is not paid by the 12-month demand date, MRS will record a lien certificate with the registry of deeds. If the amount due is still not paid in full within 12 months of the date the lien certificate is recorded, the tax-deferred property will be foreclosed and the State will take title to the tax-deferred property.

Category 2 - Events preventing the deferral of future taxes:

- The taxpayer no longer owns the tax-deferred property in fee simple, unless this change is the result of one of the total disqualifications listed in Category 1;
- There is a prohibition against the deferral of property taxes in a federal law, rule, or regulation applicable to the taxpayer or the tax-deferred property;
- The property is accepted into a municipal property tax deferral program; or
- There is a municipal lien placed on the tax-deferred property.

If an event that would prevent the deferral of future taxes occurs, the municipal assessor must inform MRS. MRS will determine whether the taxpayer is eligible to continue deferring future taxes under the Program. If MRS determines that the taxpayer is not eligible to defer the payment of future taxes, it will notify the taxpayer and remove the taxpayer from the notice sent to municipalities that identifies them as qualifying for deferral.

Exceptions:

If a mobile or floating home is removed from the State, the outstanding amount of deferred tax and interest must be paid five days before the tax-deferred property is removed.

A spouse who does not meet the age or disability requirements for participation in the Program but is otherwise qualified may elect to continue to defer previously deferred taxes by filing an application between January 1 and April 1 of the year following the year in which the repayment event occurs.

For further information on the State Property Tax Deferral Program, contact the Property Tax Division of Maine Revenue Services at:

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