

The State Property Tax Deferral Program: A Guide for Municipalities

36 M.R.S. §§ 6250-6266

Deferred Collection of Homestead Property Taxes, also known as the State Property Tax Deferral 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 (if mobile or floating home) out of Maine. This is a State-level program, not to be confused with the Municipal Property Tax Deferral for Senior Citizens program in Title 36, Chapter 908-A. Except as noted, references to “deferral 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 for the deferral program.
- Notifies municipal assessors which accounts are approved to participate in the program.
- 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 list of tax deferred properties for each municipality with county registry.
- Collects deferred taxes when participating taxpayer passes away, moves, or sells the property.

Municipal Assessor:

- Accepts applications from interested applicants between January 1 and April 1.
- Verifies 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 municipal lien is placed on a property enrolled in the program.

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 government agency to have a permanent and total impairment or condition that prevents them from being employed.

In addition, the applicant must have income of less than \$40,000 for the calendar year immediately preceding the calendar year in which the claim is filed and must have liquid assets of less than \$50,000 (or \$75,000 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.

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, and the property must be receiving a homestead exemption. For purposes of the deferral program, the homestead includes the principal dwelling and up to 10 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;
- 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.

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 at 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 Title 1, section 402, subsection 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 deferral program.

Within 30 days of commitment of taxes, the municipal tax collector must complete the Municipal Property Tax Report, available on the MRS website at www.maine.gov/revenue/tax-return-forms/property-tax, 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 tax deferred under the program within 60 days of receipt.

Program Maintenance

When a taxpayer has been accepted into the program, MRS will create an account for each taxpayer. Taxes that have been deferred will accrue interest at the general rate MRS sets for delinquent taxes, minus one percentage point. For calendar year 2022, the applicable interest rate for taxes deferred under the program is 4%. MRS will provide each participating taxpayer a notice that includes the total amount of deferred taxes and accrued interest on or before December 15 each year. Full or partial payments of deferred tax and interest may be made at any time without affecting the tax-deferred status of the property. Approved taxpayers may continue to defer future taxes without further filings until: 1) there is a change in circumstance that disqualifies them from the program, or 2) a repayment event occurs.

Disqualifying Circumstances: A change in any of the following circumstances will render the property ineligible to continue in the deferral program, and future taxes may not be deferred:

- The taxpayer no longer owns the tax-deferred property in fee simple;
- There is a prohibition to 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.

Taxes for the current and prior years may continue to be deferred until a repayment event occurs.

Repayment Events: Any of the following events will require removal of the property from the program and repayment of tax and interest on all deferred years:

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

If a repayment event occurs, MRS will send notice by certified mail to the taxpayer or their heirs listing the total amount of deferred taxes and interest outstanding on the tax-deferred property and demanding payment on or before April 30 of the year following the tax year in which the repayment event occurred. If the outstanding amount is not paid by the April 30 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 deemed foreclosed and the State will take title to the tax-deferred property.

Exceptions:

- Notwithstanding the above timeline, 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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