



## **Veterans Property Tax Exemption**

**A Report Prepared for the  
Joint Standing Committee on Taxation  
Pursuant to 2009 Resolves, c. 181**

**Department of Administrative and Financial Services  
Maine Revenue Services**

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## **I. INTRODUCTION**

Pursuant to 2009 Resolves, Chapter 181, the Department of Administrative and Financial Services, Bureau of Revenue Services was directed to convene a working group to review the current property tax exemption for veterans and make recommendations for changes that will increase the property tax exemption for qualified post-World War I veterans. Pursuant to the Resolve, the working group included representatives of the Department of Defense, Veterans and Emergency Management, Bureau of Maine Veterans' Services, the Maine Municipal Association and other interested stakeholders. A complete list of working group participants is found at the end of this report.

The working group was asked to review alternatives for increasing the property tax exemption for qualified post-World War I veterans. According to the resolve, the alternatives reviewed included, but were not limited to, an increase on a one-time basis, an increase over time through indexing to the Consumer Price Index or a 5% annual increase. Also, the working group was asked to review the financial and administrative impact on state and local government as well as the benefit to veterans.

The Department of Administrative and Financial Services, Bureau of Revenue Services was required to report by January 15, 2011 to the joint standing committee of the Legislature having jurisdiction over taxation matters the findings and recommendations of the working group.

## **II. BACKGROUND**

While the veteran exemption has received extensive legislative attention throughout its history, this brief background is intended to primarily highlight the legislative adjustments to the amount of the exemption. The Maine legislature first enacted a veteran's property tax exemption in 1919 for veterans of the Civil War, Spanish-American War and World War I. To qualify, a veteran had to be at least 70 years of age and the just value of his estate could not exceed \$5,000. An otherwise qualified veteran with an estate valued in excess of \$5,000 was not entitled to receive an exemption. In 1921, the law was amended to exempt the first \$5,000 in value for qualified veterans. That exemption amount remained in place until 1941 when the exemption amount was decreased to \$3,500. In 1929, the age requirement for a veteran to qualify for an exemption was reduced from 70 to 62. In 1943, the law was amended to extend the exemption to veterans who served during a federally recognized war period to include veterans who served during World War II. In 1975, the legislature increased the exemption amount up to the just value of \$4,000. In 1977, the law was amended to increase the amount of exemption for veterans who served in qualifying service periods prior to World War II from \$4,000 to \$5,000 for 1978 and from \$5,000 to \$6,000 for 1979 and years thereafter. In 1989, the exemption for veterans who served in qualifying service periods prior to World War II was increased up to the value of \$7,000 and up to the value of \$5,000 for all other qualifying service periods. The legislature made the most recent adjustment to the exemption amount in 2007 when the \$5,000 exemption for veterans of World War II and later qualifying service periods was increased to its current

amount of up to \$6,000. Though it was not an increase in the amount of the exemption, one of the most significant expansions of the exemption followed *Lambert v. Wentworth*, 423 A.2d 527 (Me. 1980), which held unconstitutional a 10-year durational residency requirement for eligibility for the veterans exemption. In 1982, the legislature repealed both that requirement and the requirement that the veteran have been a Maine resident at the time of enlistment thereby significantly increasing the number of qualified veterans.

### **III. CURRENT LAW**

Today, pursuant to 36 M.R.S.A. § 653, any person, or the un-remarried surviving spouse of that person, who served in active service in the Armed Forces of the United States, was discharged under other than dishonorable conditions, and is also 1) is 62 years of age or 2) is receiving a US pension or compensation for 100% service-connected disability may be eligible for the exemption. Maine law also provides for the exemption to be granted to a surviving parent or minor child of a deceased veteran when there is not a surviving spouse receiving the exemption.

In addition, a veteran must have served during any federally recognized war period; or served during the periods from February 28, 1961, to August 4, 1964; August 24, 1982, to July 31, 1984; and December 20, 1989, to January 31, 1990; or been awarded the Armed Forces Expeditionary Medal.

The federally recognized war periods are as follows:

- Mexican Border Period - May 9, 1916 through April 5, 1917, for veterans who served in Mexico, on its borders or in adjacent waters;
- World War I - April 6, 1917, through Nov. 11, 1918; for veterans who served in Russia, April 6, 1917, through April 1, 1920; extended through July 1, 1921, for veterans who had a least one day of service between April 6, 1917, and Nov. 11, 1918;
- World War II - Dec. 7, 1941, through Dec. 31, 1946;
- Korean Conflict - June 27, 1950, through Jan. 31, 1955;
- Vietnam Era - Aug. 5, 1964 (Feb. 28, 1961, for veterans who served "in country" before Aug. 5, 1964), through May 7, 1975;
- Persian Gulf War - Aug. 2, 1990, through a date to be set by law or Presidential Proclamation

Also, veterans who did not serve during a federally recognized war period but became totally disabled while 'in the line of duty' qualify for an exemption.

Veterans that qualify generally receive an exemption of up to \$6,000 off the valuation of their property in the municipality where they reside. Veterans of World War I or their surviving spouses, however, may receive an exemption of up to \$7,000 off the valuation of their property, and paraplegic veterans or their surviving spouses may receive an exemption of up to \$50,000 for specially adapted housing units.

According to the United States Department of Veterans Affairs, in 2009, the total number of veterans living in Maine was estimated at 140,550. Of the estimated 103,000 Maine veterans who served during a federally recognized war period, approximately 53,600 have reached the age of 62. For 2009, there were 46,603 veterans exemptions granted in Maine.

#### **IV. DISCUSSION**

The study group reviewed in detail the following alternatives for changing the veteran's exemption: increase the veteran's exemption to \$7,000, increase the veteran's exemption annually based on the Consumer Price Index, increase the veteran's exemption 5% annually, increase the veteran's exemption one-time and implement a method of an annual increase thereafter that reflects an increase in the cost of living. Overall, the group determined that except for a one time exemption increase to \$7,000, the studied alternatives were administratively burdensome for municipalities and increased the complexity of the exemption thereby decreasing the transparency of the calculation of the exemption amount.

Representatives from the various veterans groups expressed concerns about the confusion many veterans have with respect to the amount of the exemption they are entitled to receive. Under Maine law, municipal assessors are required to adjust the amount of exemption a veteran is entitled to by the ratio or percentage of current just value on which the local assessments are based. Example: a World War II veteran is entitled to an exemption 'up to the just value of \$6,000.' If the veteran's property is located in a municipality in which the assessor certifies the assessments reflect 80% of market value, the assessor is also required to adjust the amount of the exemption by 80% of \$6,000, or \$4,800. In response to these concerns, Maine Revenue Services developed a two-page handout of frequently asked questions for the representatives to use with veterans to explain the adjustment. (See attached).

In addition, the study group reviewed the reimbursement required by Article 4, Part 3, Section 23 of the Maine Constitution that was enacted in 1978. Pursuant to that Article, the Legislature must "annually reimburse each municipality from state tax sources for not less than 50% of the property tax revenue loss suffered by that municipality during the previous calendar year because of the statutory property tax exemptions or credits enacted after April 1, 1978." Thus, each time a bill is put forth to create or increase an exemption, the Legislature must address the constitutional requirement to reimburse the municipalities for at least 50% of the taxes lost.

Over the years, there have been a significant number of bills which have sought to amend the veterans exemption. The following is a summary of the new or expanded exemptions for veterans which have been created since 1978 and, in parenthesis, the number of veterans granted the exemption in tax year 2009:

- In 1982 the law was amended to allow the exemption to veterans who were either non-residents when they entered the service, or had not been a resident of Maine for 10 years before making a claim for exemption (Number of veterans: 11,347);

- In 1989, the WWI and prior campaigns exemption was increased from \$6,000 to \$7,000 (Number of veterans: 79);
- The WWII and later campaigns exemption was increased from \$4,000 to \$5,000 in 1989 and from \$5,000 to \$6,000 in 2007 (Number of veterans: 32,135);
- In 1993, a change to the law was enacted to include non-wartime veterans who had become totally disabled while in the line of duty (Number of veterans: 389);
- The amount of exemption for paraplegic veterans with specially adapted housing was increased from \$40,000 to \$47,500 in 1989 and from \$47,500 to \$50,000 in 2007 (Number of veterans: 89);
- In 1995, the law was amended to allow properties held in a revocable living trust for the benefit of the veteran to qualify for the exemption (Number of veterans: 532);
- In 2004, the law was amended to allow for an exemption to be claimed by the widower or parent of a deceased veteran. Previously only a widow or mother of a deceased veteran could file a claim (Number of veterans: 78); and
- In 2007, the law was amended to allow property of a cooperative housing corporation occupied by a shareholder who is a qualified veteran (Number of veterans: 377).

#### **IV. RECOMMENDATIONS**

**Recommendation 1: In light of the current economic circumstances, the study group recommends that the current exemption amount remain in effect for the next biennium.**

The study group strongly recommends that the current veterans exemption in the amount of \$6,000 remain intact and that it not be reduced as a cost saving measure in the process of balancing the State budget.

The State's cost for the veterans exemption in 2009 was \$1,005,633 and the estimated cost to municipalities was \$2,426,700.

Should the legislature decide to increase the exemption amount from \$6,000 to \$7,000, the approximate increase in the cost to the State for the next biennium is estimated to be \$317,900. If reimbursement continues at the 50% level, the aggregate increase in the cost to municipalities is also \$317,900.

**Recommendation 2: Maine Revenue Services in collaboration with the veteran community will prepare a handout explaining the veterans exemption.**

Generally, there is concern that many eligible veterans may not be receiving the benefit of the exemption. In response, Maine Revenue Services agreed to collaborate with the veteran community in the development of an educational handout for use by veterans' organizations and municipalities that explains the eligibility requirements for the exemption, its calculation and the application process.

## **VI. CONCLUSION**

The study group believes that the recommendations contained in this report are in the best interest of the veterans. Because of the current economic circumstances facing the State of Maine, the study group concludes that it was best to forgo seeking an increase in the exemption for the next biennium, focus on maintaining the current level of the exemption, and working to make sure all eligible veterans are receiving the full exemption to which they are entitled.

## Study Group Participants

Wayne S. Cartier	Vietnam Veterans of America
Geoff Herman	Maine Municipal Association
Charles Jones	Veteran
Gary Laweryson	Maine Veterans Coordinating Committee
David Ledew	Maine Revenue Services, Property Tax Division
Peter Ogden	Maine Veterans Services
Judy Mathiau	Assessor, Winslow, Maine
Theodore Pietz	Disabled American Veterans
Donald Simoneau	American Legion
Kelley Wynne	AMVETS