



MEMO

To: GPCOG members
From: Chris Hall
Date: 12-28-18
Re: Senior property tax relief options

As local property taxes increase many seniors in our communities need help. This memo surveys the options available to local government and makes some suggestions about how to approach a complex issue.

Getting started

Good data is the best place to begin. How many seniors live in your community? How many of them live on modest incomes? If you don't have current data, you can work with the Maine Bureau of Taxation, GPCOG, or other agencies to assemble a strong data set to help you make good policy choices. Let us know if we can help.

Homestead Exemption

The first property tax relief program that many people think of is the Maine Resident Homestead Property Tax Exemption ([36 MRSA Chapter 105, Sub-chapter 4-B, Section 681](#)).

This program provides property tax relief for applicants that have owned homestead property in Maine for at least 12 months and make the property they occupy on April 1 their permanent residence. Currently the amount of the exemption is \$20,000 of just value of the property.

While not specifically targeted to seniors, many seniors who pay property taxes in your community will receive the benefit of this program.

The Maine Property Tax Fairness Credit Program

For many years and up through 2012 Maine had a property tax relief program for homeowners and renters. Popularly known as the "Circuitbreaker" program, the law gave home owners and renters an income tax credit to offset a portion of their local property taxes.

In 2013 the Circuitbreaker program was repealed and replaced by the Maine Property Tax Fairness Credit Program. ([36 MRSA Chapter 822, section 5219-KK](#))

As reported at the time ([PPH 7/18/13](#)), the new program simplified the application process and was designed to reach a greater number of qualifying homeowners and renters.

Maine Revenue Services summarizes the program on [a dedicated webpage](#) – in simple terms when a homeowner’s or renter’s income is low, and property taxes are high relative to their income, a refundable Maine income tax credit of up to \$900 is available. Taxpayers are eligible if they:

1. Were Maine residents during any part of the tax year;
2. Owned or rented a home in Maine during any part of the tax year and lived in that home during the year as a primary residence;
3. Paid property tax or rent on the primary residence in Maine during the tax year;
4. Meet certain income and property tax and/or rent paid limitations during the tax year; and
5. Are not married filing separately.

The Maine Property Tax Fairness Credit Program is available all across the state, to every senior who qualifies in all our communities. Some municipalities have augmented the program with additional local assistance. But before we turn to that option, two other state programs are worth understanding.

Municipal Property Tax Deferral for Senior Citizens

Maine law authorizes every municipality to set up its own property tax deferral program for senior citizens. The law governing municipal deferral programs is set out in [36 MRSA Chapter 908-A, section 6271](#)). A deferral is not a forgiveness of taxes owed – only a postponement of when the taxes are paid.

The law outlines the basic criteria for eligibility for a municipal property tax deferral program:

- A. The property is an eligible homestead where the taxpayer has resided for at least 10 years prior to application;
- B. The taxpayer is an owner of the eligible homestead, is at least 70 years of age on April 1st of the first year of eligibility and occupies the eligible homestead; and
- C. The household income of the taxpayer does not exceed 300% of the federal poverty level.

Municipalities that defer property taxes receive a lien against the property which must be recorded in the Registry of Deeds. Interest accrues (at 0.5% more than the current rate of interest on delinquent taxes). The lien becomes payable under a number of circumstances, usually the sale of the property, or the death of the homeowner. A municipality can elect to continue the deferral if the new owner is otherwise qualified.

Tax deferral programs require administrative attention, just like delinquent taxes. They also restrict municipal cash flow to a small degree. In exchange, seniors with limited means have a better chance of remaining in their home.

Abatement of property taxes for hardship of poverty

Municipalities in Maine have the power (under [36 MRSA Chapter 105, section 841 \(2\)](#)) to grant a municipal property tax abatement “on the real and personal taxes on the primary residence of any person who, by reason of hardship or poverty, is in their judgment unable to contribute to the public charges.”

While not specifically focused on seniors, hardship and poverty abatements are another tool that municipalities can use when circumstances warrant.

Additional Local Programs

Maine law gives municipalities the power to establish their own local property tax relief programs for homeowners and renters who are at least 62 years old ([36 MRSA Chapter 907-A, section 6232](#)). All municipal programs must:

- A. Require that the claimant has a homestead in the municipality;
- B. Provide benefits for both owners and renters of homesteads; and
- C. Calculate benefits in a way that provides greater benefits proportionally to claimants with lower incomes in relation to their property taxes accrued or rent constituting property taxes accrued.

The law also allows residents who are 60 years old or more to earn up to \$750 in property tax relief benefits by volunteering to provide services to the municipality.

Many communities in our region have set up additional senior property tax relief programs at the local level. All the existing programs we’ve reviewed are direct rebate-to-taxpayer programs, requiring additional administrative effort to publicize, gather and process applications, evaluate eligibility, and make refund payments each year.

Every program has to consider several policy options tailored to the unique circumstances of each individual municipality. Here are the major categories for local programs to consider:

- *Who should be eligible?* Some communities use the state’s qualifications for the Maine Property Tax Fairness Credit Program. Others have used the qualifications from the Municipal Property Tax Deferral statute. And some communities have combined those two eligibility criteria, or built their own.
- *What income thresholds should be used to determine benefits?* How should the municipal benefit be shaped in relationship to a recipient’s income level? Most communities increase property tax relief as income decreases, but each community has its own unique balance of human and fiscal interests to manage.
- *Should qualification for the Maine Property Tax Fairness Credit Program be required?* Many, but not all, communities require it. For instance Portland’s P-STEP program, coming on line in 2019, requires Maine Property Tax Fairness Credit Program eligibility, and builds its municipal benefits off that basis ([Mayor Strimling Press Release 6-12-17](#)).

- *How much can our municipality afford to expend on the program?* Once the parameters of a local program are outlined, final eligibility and benefit levels may be shaped by a community's fiscal capacity.

As your community considers the fundamentals of how to help seniors manage increasing property taxes it may be useful to look at what other communities in our region have done already:

- [Cumberland's Senior Property Tax Assistance program](#) (summary) and text of [the full ordinance](#)
- [Falmouth's senior property tax assistance program](#) (summary)
- [Scarborough's senior tax assistance program](#) (summary) and text of the [full ordinance](#)
- [South Portland's senior property tax assistance program](#) (summary)
- [Windham's Property Tax Assistance Program](#) (summary and link to full ordinance)
- [Yarmouth's senior property tax assistance program](#) (summary), and text of the [full ordinance](#)

Conclusion

Many seniors live on limited incomes and need help as property taxes increase. Local governments have a variety of tools to help. By reviewing the options available, and the choices made by other communities in our region, each municipality can craft a senior property tax relief program that meets their unique needs and circumstances.