

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 36 MRSA c. 105, sub-c. 11** is enacted to read:

**SUBCHAPTER 11**

**LONG-TERM OWNERSHIP TAX LAW**

**§1131. Program established; definitions**

**1. Program established.** The Maine Land Bank and Community Preservation Program is established to provide an alternative means of calculating assessed values for purposes of levying property taxes for land held by owners who intend to maintain long-term ownership, family ownership or make a designated bequest.

**2. Definitions.** As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

A. "Direct relative" means parent, aunt, uncle, sibling, first cousin, niece, nephew or grandchild, by birth or adoption.

B. "Program" means the Maine Land Bank and Community Preservation Program established in this subsection.

C. "Classified land" means land for which an application under section 1132 has been accepted or for which classification has been certified. "Classified land" does not include any building or structure on the land or any other thing affixed to the land that would be considered real estate under section 551.

**§1132. Application by owner**

The owner of any land may apply for taxation under this subchapter subject to the provisions of this section.

**1. Filing application.** The owner shall file a written application with the assessor and a copy for recordation with the register of deeds for the jurisdiction in which the land potentially subject to taxation under the program exists. The application must be filed on or before March 1st for the land to be a classified land for the tax year beginning April 1st of the same year.

2. **Content.** The application must be on a form prescribed by the State Tax Assessor, must clearly identify the land potentially subject to taxation under the program and must include a statement that the owner has long-term ownership intentions regarding that land. If there is more than one recorded owner of that land, each owner must file with the application written consent to elect taxation under the program.

3. **Determination.** The assessor shall notify the landowner whether the application is accepted and the land is classified land or the application is denied. If the application is denied, the assessor shall state the reasons for the denial and provide the landowner an opportunity to conform to the requirements of this subchapter.

4. **Examination; information.** The assessor or the assessor's authorized representative may enter and examine lands under this subchapter for tax purposes and may examine any information submitted by the owner or owners. Upon notice in writing by certified mail, return receipt requested, any owner or owners shall, within 60 days of the receipt of the notice, respond to such written questions or interrogatories as the assessor considers necessary to obtain material information about those lands. If the assessor can not reasonably obtain the required material information regarding those lands through written questions or interrogatories, the assessor may require any owner or owners, upon notice in writing by certified mail, return receipt requested, or by such other method as provides actual notice, to appear before the assessor at such reasonable time and place as the assessor may designate and answer questions or interrogatories necessary to obtain material information about those lands.

5. **Owner obligation.** The owner or owners shall report to the assessor any change in ownership of classified land.

### §1133. Valuations

1. **Base valuation.** Except as otherwise provided, the base valuation for classified land for tax purposes is assessed value of the land adjusted to 100% using the state-certified ratio for that year for the 5th year prior to acceptance to the program.

A. If the land is not classified and the owner of the land applying for acceptance to the program has not owned the land for that 5-year period, but acquired the land under circumstances that would not be deemed a change of ownership under section 1135, subsection 1, paragraph B, subparagraph (1) to (8), and the current term of ownership plus the

immediately preceding term of ownership is at least 5 years, then the 5-year look-back under this subsection applies in determining base valuation.

B. If the owner applying for acceptance to the program has not owned the land for that 5-year period, and acquired the land under circumstances that constitute a change in ownership under section 1135, then the base valuation for classified land for tax purposes is the purchase price of the land only or, if the purchase price can not be accurately determined, the best estimate at fair market value of the land, which is the assessed value of comparable land in the municipality or unorganized territory as applicable, adjusted by the applicable certified assessment ratio.

**2. Program assessed value.** The program assessed value for classified land for tax purposes is:

A. For the first year under the program, the base valuation under subsection 1; and

B. For subsequent years under the program, the base valuation as adjusted by any cumulative increases and decreases authorized under section 1134.

**3. Change in ownership.** Base valuation and program assessed value under this section are subject to recalculation when there is a change in ownership pursuant to section 1135, subsection 2.

#### **§1134. Assessment adjustments**

**1. Annual adjustments.** The assessed value of classified land may be adjusted annually on April 1st, subject to this section.

**2. Increase assessment limited.** The assessed value of classified land may not increase under the annual adjustment by more than the lower of:

A. Two percent of the program assessed value of the prior year; or

B. The percent change in the Consumer Price Index for all urban consumers.

**3. Decrease assessment authorized.** Nothing in this subchapter prevents:

A. An assessment based on less than a 100% valuation; or

B. A decrease in the assessed value.

If the Consumer Price Index decreases, then the assessed value must be decreased by the same or greater percentage.

4. Assessments. Classified land must be taxed at the property tax rate applicable:

A. To other property in the municipality if the land is in an organized area; or

B. To other property in the unorganized territory if the land is in the unorganized territory.

§1135. Change of ownership

1. Change in ownership determined. A change of ownership is:

A. For commercial properties, a change in controlling interest of the company owning the land as defined in federal tax code; and

B. For all other properties, a transfer by sale or grant to a transferee by a transferor of all or any part of the transferor's legal or equitable ownership interest in a property except for a transfer:

(1) To a trustee for the beneficial use of the spouse of the transferor or the surviving spouse of a deceased transferor;

(2) To the spouse of the transferor that takes effect upon the death of the transferor;

(3) That creates, transfers or terminates, solely between spouses, any coowner's interest;

(4) To one or more direct relatives of the transferor;

(5) To any person by bequest;

(6) That confirms or corrects a previous transfer made by a document that was recorded in the real estate records of the county in which the land is located;

(7) For the purpose of quieting the title to real property or resolving a disputed location of a real property boundary;

(8) To a revocable trust by the transferor with the transferor, the transferor's spouse or a direct relative of the transferor as beneficiary; or

(9) From a revocable trust described in subparagraph (8) back to the settlor or trustor or to the beneficiaries of the trust.

**2. Effect.** When there is a change in ownership:

A. If the new owner does not apply for taxation under the program, the valuation reverts to fair market value as defined by the purchase price of the property less the resale value of the buildings located on the land or best estimate of fair market value of the land; or

B. If the new owner applies for taxation under the program and if money changes hands during the change in ownership, the base valuation for the land subject to taxation under the program becomes the purchase price of the land or the current program assessed value under section 1133, subsection 2, whichever is larger.

**§1136. Penalty for withdrawal; evasion**

**1. Penalty imposed.** When there is a change of ownership as determined under section 1135 or when a program participant opts to withdraw from the program, except when the change is occasioned by a transfer to the State or other entity holding the power of eminent domain, resulting from the exercise or threatened exercise of that power, a penalty upon the owner must be imposed that is the greater of:

A. An amount equal to the taxes that would have been assessed on the first day of January for the 5 preceding tax years, or any lesser number of tax years starting with the year in which the land was first accepted under the program, preceding such withdrawal had that land been assessed in each of those years at its fair market value on the date of withdrawal less all taxes paid on that real estate over the preceding 5 years, and interest at the legal rate from the date or dates on which those amounts would have been payable; or

B. An amount computed by multiplying the amount, if any, by which the fair market value of the land on the date of withdrawal exceeds the 100% program-assessed value of the land on the preceding January 1st, by the following rates:

(1) If the land was subject to the program 10 years or less prior to the date of withdrawal, 30%; and

(2) If the land was subject to the program for more than 10 years prior to the date of withdrawal, that percentage obtained by subtracting 1% from 30% for each full year beyond 10 years that the land was subject to the program prior to the date of withdrawal until a rate of 20% is reached.

Fair market value at the time of withdrawal is the assessed value of comparable land in the municipality or unorganized territory, as applicable, adjusted by the applicable certified assessment ratio.

**2. Recording; title affected.** When a penalty has been paid as required under subsection 1, the transaction must be recorded with the appropriate register of deeds. Until such time as the penalty is paid, the title is not considered to be clear and unencumbered.

**3. Evasion.** A person who intentionally attempts to avoid or lower the penalty imposed by this section or who makes false statements in making an application under this subchapter is subject to prosecution under section 184-A.

### **§1137. Application**

**1. Buildings, etc.** Any building, mobile home or other thing affixed to classified land and that would be considered real estate under section 551 is subject to assessment and taxation in the same manner as if it were not on classified land.

**2. Change in land holdings.** Each addition to or reduction in classified land or a portion of classified land is subject to this subchapter.

**3. Effect on other laws.** Participation in the program does not preclude participation in other programs, such as, but not limited to, the Maine Tree Growth Tax Law or the farm and open space tax laws.

**Sec. 2. Statutory referendum procedure; submission at statewide election; form of question; effective date.** This Act takes effect when approved only for the purpose of permitting its submission to the legal voters of the State at a statewide election held on the Tuesday following the first Monday of November following passage of this Act. The

municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

"If an amendment to the Constitution of Maine is approved permitting the Legislature to establish a different method of assessment of property taxes on land used for long-term ownership, do you favor ratifying the action of the 121st Legislature whereby it passed an Act establishing the Maine Land Bank and Community Preservation Program?"

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within a corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns and, if it appears that a majority of the legal votes are cast in favor of the Act, the Governor shall proclaim that fact without delay, and the Act takes effect 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this Act necessary to carry out the purposes of this referendum.

### SUMMARY

This bill proposes to provide property tax relief to property owners in the State. Under the bill, a voluntary Maine Land Bank and Community Preservation Program is created for residential and nonresidential real estate. The program would apply to land only and not buildings. The base value of land would be determined by looking back 5 years to the assessed value of the land as adjusted by using the state-certified ratio for that year. The program would include provisions requiring adjustments or penalties in cases when there is a change in ownership other than to a family member or by designated bequest or the land is withdrawn from the program. The entire bill is subject to a statutory referendum and is conditional upon an amendment to the Constitution of Maine passing at the next statewide election.