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H.P. 361

House of Representatives, February 11, 2025

An Act Regarding Municipal Property Tax Levy Limits

Reference to the Committee on State and Local Government suggested and ordered printed.

A handwritten signature in cursive script, reading "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative ADAMS of Lebanon.

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

2 **Sec. 1. 30-A MRSA §5681, sub-§8**, as amended by PL 2023, c. 603, §1, is further
3 amended to read:

4 **8. Posting of ~~revenue-sharing~~ revenue-sharing projections.** For the purpose of
5 assisting municipalities in a timely manner in their budget development process and in the
6 determination of their property tax levy limits as required by section 5721-B, the Treasurer
7 of State shall post no later than April 15th of each year on the Treasurer of State's website
8 the projected ~~revenue-sharing~~ revenue-sharing distributions as required by this section
9 according to the most recently issued state revenue forecasts issued by the Revenue
10 Forecasting Committee pursuant to Title 5, chapter 151-B for the subsequent fiscal year
11 beginning on July 1st.

12 **Sec. 2. 30-A MRSA §5721-B** is enacted to read:

13 **§5721-B. Limitation on municipal property tax levy**

14 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
15 following terms have the following meanings.

16 A. "Average personal income growth" has the same meaning as in Title 5, section
17 1531, subsection 2.

18 B. "Property growth factor" means the percentage equivalent to a fraction established
19 by a municipality, whose denominator is the total valuation of the municipality, and
20 whose numerator is the amount of increase in the assessed valuation of any real or
21 personal property in the municipality that became subject to taxation for the first time,
22 or taxed as a separate parcel for the first time for the most recent property tax year for
23 which information is available, or that has had an increase in its assessed valuation over
24 the prior year's valuation as a result of improvements to or expansion of the property.
25 A municipality identified as having a personal property factor that exceeds 5%, as
26 determined pursuant to Title 36, section 694, subsection 2, paragraph B, may calculate
27 its property growth factor by including in the numerator and the denominator the value
28 of personal and otherwise qualifying property introduced into the municipality
29 notwithstanding the exempt status of that property pursuant to Title 36, chapter 105,
30 subchapter 4-C.

31 C. "Property tax levy" means the total annual municipal appropriations, excluding
32 assessments properly issued by a county of which the municipality is a member and
33 amounts governed by and appropriated in accordance with Title 20-A, chapter 606-B,
34 and amounts appropriated to pay assessments properly issued by a school
35 administrative unit or tuition for students or amounts attributable to a tax increment
36 financing district agreement or similar special tax district, reduced by all resources
37 available to fund those appropriations other than the property tax.

38 **2. Property tax levy limit.** Except as otherwise provided in this section, a
39 municipality may not in any year adopt a property tax levy that exceeds the property tax
40 levy limit established in this subsection.

41 A. The property tax levy limit for the first fiscal year for which this section is effective
42 is the property tax levy for the municipality for the immediately preceding fiscal year
43 multiplied by one plus the growth limitation factor pursuant to subsection 3.

1 B. The property tax levy limit for subsequent fiscal years is the property tax levy limit
2 for the preceding year multiplied by one plus the growth limitation factor pursuant to
3 subsection 3.

4 C. If a previous year's property tax levy reflects the effect of extraordinary,
5 nonrecurring events, the municipality may submit a written notice to the State Tax
6 Assessor requesting an adjustment in its property tax levy limit.

7 **3. Growth limitation factor.** The growth limitation factor is the average personal
8 income growth plus the property growth factor.

9 **4. Adjustment for new state funding.** If the State provides net new funding to a
10 municipality for existing services funded in whole or in part by the property tax levy, other
11 than required state mandate funds pursuant to section 5685 that do not displace current
12 property tax expenditures, the municipality shall lower its property tax levy limit in that
13 year in an amount equal to the net new funds. For purposes of this subsection, "net new
14 funds" means the amount of funds received by the municipality from the State during the
15 most recently completed calendar year, with respect to services funded in whole or in part
16 by the property tax levy, less the product of the following: the amount of such funds
17 received in the prior calendar year multiplied by one plus the growth limitation factor
18 described in subsection 3. "Net new funds" refers to state-municipal revenue sharing and
19 does not include changes in state funding for general assistance under Title 22, section 4311
20 or in state funding under the Local Road Assistance Program under Title 23, section 1803-B
21 if those changes are the result of the operation of the formula for calculation of state funding
22 under those sections but does include changes in funding that are the result of a statutory
23 change in the formula for calculation of state funding under those sections. If the
24 calculation required by this subsection reveals that the municipality received or will receive
25 a net reduction in funding, the municipality is authorized to adjust its property tax levy
26 limit in an amount equal to the net reduction of funds. For the purpose of determining if
27 there was or will be a net reduction in funding, the municipality may consider only those
28 funds that are net new funds. For purposes of this subsection, with respect to the
29 development of any municipal budget that was finally adopted on or before July 1, 2026,
30 "net reduction in funding" means the amount of funds received by the municipality from
31 the State during the calendar year immediately preceding the most recently completed
32 calendar year less the amount of such funds received in the most recently completed
33 calendar year. For the purposes of this subsection, with respect to the development of a
34 municipal budget that is finally adopted after July 1, 2026, a municipality may calculate
35 net reduction in funding as the amount of funds received by the municipality from the State
36 during the municipal fiscal year immediately preceding the fiscal year for which the budget
37 is being developed less the amount of such funds that will be received during the fiscal year
38 for which the budget is being prepared, as reasonably calculated on the basis of all available
39 information. If the calculation required by this subsection yields a positive value, that value
40 may be added to the municipality's property tax levy limit. If a municipality receives net
41 new funds in any fiscal year for which its property tax levy limit has not been adjusted as
42 provided in this subsection, the municipality shall adjust its property tax levy limit in the
43 following year in an amount equal to the net new funds.

44 **5. Exceeding property tax levy limit; extraordinary circumstances.** The property
45 tax levy limit established in subsection 2 may be exceeded for extraordinary circumstances
46 only under the following circumstances.

1 A. The extraordinary circumstances must be circumstances outside the control of the
2 municipal legislative body, including:

3 (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;

4 (2) Unfunded or underfunded state or federal mandates;

5 (3) Citizens' initiatives or other referenda;

6 (4) Court orders or decrees; or

7 (5) Loss of state or federal funding.

8 Extraordinary circumstances do not include changes in economic conditions, revenue
9 shortfalls, increases in salaries or benefits or new programs or program expansions that
10 go beyond existing program criteria and operation.

11 B. The property tax levy limit may be exceeded only as provided in subsection 7.

12 C. Exceeding the property tax levy limit established in subsection 2 permits the
13 property tax levy to exceed the property tax levy limit only for the year in which the
14 extraordinary circumstance occurs and does not increase the base for purposes of
15 calculating the property tax levy limit for future years.

16 **6. Increase in property tax levy limit.** The property tax levy limit established in
17 subsection 2 may be increased only as provided in subsection 7.

18 **7. Process for exceeding property tax levy limit.** A municipality may exceed or
19 increase the property tax levy limit only by the following means.

20 A. If the municipal budget is adopted by town meeting or by referendum, the property
21 tax levy limit may be exceeded by the same process that applies to adoption of the
22 municipal budget except that the vote must be by written ballot on a separate article
23 that specifically identifies the intent to exceed the property tax levy limit.

24 B. If the municipal budget is adopted by a town council or city council, the property
25 tax levy limit may be exceeded only by a majority vote of all the elected members of
26 the town council or city council on a separate article that specifically identifies the
27 intent to exceed the property tax levy limit. Unless a municipal charter otherwise
28 provides or prohibits a petition and referendum process, if a written petition, signed by
29 at least 10% of the number of voters voting in the last gubernatorial election in the
30 municipality, requesting a vote on the question of exceeding the property tax levy limit
31 is submitted to the municipal officers within 30 days of the council's vote pursuant to
32 this paragraph, the article voted on by the council must be submitted to the legal voters
33 in the next regular election or a special election called for that purpose. The election
34 must be held within 45 days of the submission of the petition. The election must be
35 called, advertised and conducted according to the law relating to municipal elections,
36 except that the registrar of voters is not required to prepare or the clerk to post a new
37 list of voters and absentee ballots must be prepared and made available at least 14 days
38 prior to the date of the referendum. For the purpose of registration of voters, the
39 registrar of voters must be in session the secular day preceding the election. The voters
40 shall indicate by a cross or check mark placed against the word "Yes" or "No" their
41 opinion on the article. The results must be declared by the municipal officers and
42 entered upon the municipal records.

8. Treatment of surplus; reserves. Property tax revenues collected by a municipality in a fiscal year in excess of its property tax levy limit, as determined by a final audited accounting, must be transferred to a property tax relief fund, which each municipality must establish, and used to reduce property tax levies in subsequent fiscal years. This subsection does not limit the ability of a municipality to maintain adequate reserves pursuant to section 5801.

9. Fractional divisions. A municipality may, consistent with Title 36, section 710, exceed its property tax levy limit in such reasonable amount as necessary to avoid fractional divisions.

10. Enforcement. If a municipality adopts a property tax levy in violation of this section, the State Tax Assessor may require the municipality to adjust its property tax levy downward in an amount equal to the illegal property tax levy and impose other penalties the Legislature may provide.

Sec. 3. 30-A MRSA §7102, as amended by PL 2023, c. 603, §3, is further amended by enacting at the end a new paragraph to read:

The property tax levy limits set forth in section 5721-B, subsection 2 apply to the budgets and property tax levies of plantations.

Sec. 4. 36 MRSA §1611, sub-§2, ¶C is enacted to read:

C. The growth limitation factor for the cost of the municipal cost components provided by a county may not exceed the municipal cost component assessment limit for that county. For purposes of this section, a municipal cost component assessment limit must be determined by the State Tax Assessor annually for the unorganized territory in each county using the criteria provided under Title 30-A, section 5721-B as if the unorganized territory for each county were a municipality.

Sec. 5. Application. This Act applies to municipal fiscal years that begin on or after July 1, 2026.

SUMMARY

This bill establishes municipal property tax levy limits and allows for those limits to be exceeded only under certain specified circumstances. The provisions in this bill are similar to provisions that were originally enacted in Public Law 2005, chapter 2, also known as L.D. 1, as subsequently amended and then repealed in Public Law 2023, chapter 603, except that this bill applies to municipal fiscal years beginning on or after July 1, 2026.