Maine

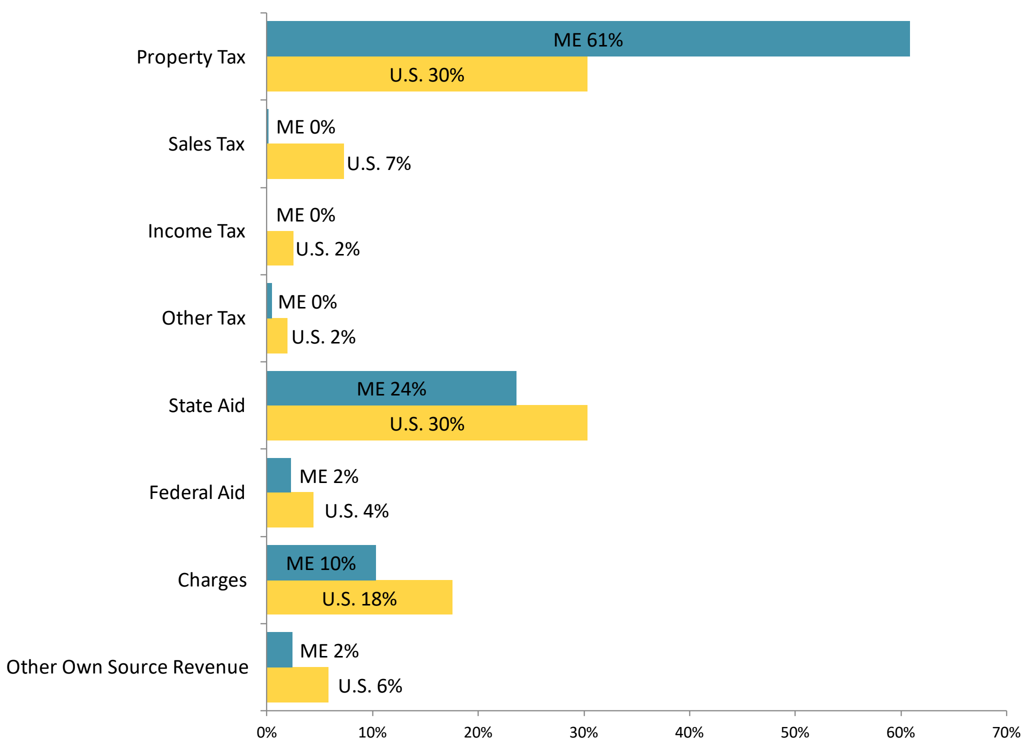
Highlights

Maine relies heavily on the property tax to fund locally provided services (figure ME-1). Local property taxes account for the majority of operating revenue for Maine's municipalities and K-12 schools.

The Maine Constitution sets minimum state reimbursements to municipalities for revenue lost as a result of such statewide property tax exemptions as the homestead exemption and the business equipment property tax exemption. The constitution also attempts to protect municipalities from unfunded state mandates by having the state provide at least 90 percent of the additional funding necessary for municipalities to implement new activities required by changes in state law.

Maine has in place a particularly broad array of state statutes intended to reduce property taxes, including a statutory minimum state contribution to local schools, a municipal revenue sharing program, a homestead exemption, business equipment property tax reimbursements and exemptions, and a property tax circuit breaker for resident homeowners and renters. However, between 2009 and 2015, state lawmakers radically reduced funding for many of these commitments.

Figure ME-1
Sources of Local General Revenue, Maine and U.S., 2020



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2020, Maine had the highest property tax burden in the nation as measured by percentage of state personal income. Property taxes accounted for nearly 27 percent of all state and local revenue, which ranked third highest in the nation (table ME-1).

Table ME-1
Selected Maine Property Tax Statistics, 2020[1]

	Maine	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,862	$1,810	*6*
Property tax percentage of personal income	5.3%	3.1%	*1*
Total property tax as percentage of state-local revenue	24.6%	16.6%	*4*
Median owner-occupied home value[2]	$198,000	$229,800	*28*
Median real estate taxes paid for owner-occupied home[2]	$2,614	$2,551	*19*
Effective tax rate, median owner-occupied home[3]	1.3%	1.1%	*16*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2016–2020.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Maine has no statewide property tax, and the vast majority of property tax revenue is collected by incorporated towns and cities. Assessments are conducted by town and city assessors (table ME-2). Nonexempt real and personal property is locally assessed at *just*, or market value, as required by the state's constitution. Maine provides current use assessment of property used for agriculture, forestry, and open space.

Limits on Property Taxation

Since 2005, a law known as "LD 1" has limited the growth of municipal property tax revenue that is used to fund municipal operations and services, excluding property tax revenue allocated to pay county taxes and fund K-12 schools. Municipalities determine their tax levy limit every year by calculating the growth limitation factor and applying it to the prior year's limit. The growth limitation factor is based on a formula that combines growth in the value of newly taxable property, statewide growth in real personal income, and changes in state funding to the municipality. For 2021, the income growth factor was 3.3 percent (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the Property Tax Fairness Credit provides property tax relief to eligible homeowners and renters with income up to $86,250 for a married couple filing jointly with at least one dependent (2022). Under current law, individuals may claim a fully refundable credit on their individual income tax return equal to 50 percent of the amount by which property taxes owed or 15 percent of rent exceeds 4 percent of a taxpayer's expanded income, up to a maximum of $1,000 for nonelderly taxpayers and $1,500 for taxpayers over 65.

Maine offers a homestead exemption that exempts from taxation up to $25,000 of the taxable value of a resident homeowner's primary residence. The state reimburses municipalities for half of property tax revenue lost due to the exemption.

Maine's local option Municipal Property Tax Assistance program allows local governments to provide a credit to senior homeowners (62+) on their homestead in exchange for volunteer services (Significant Features of the Property Tax). In 2019, the legislation authorized localities to set additional requirements for age and residency (L.D. 811, Chapter 159, 2019).

Two new property tax relief programs took effect in 2022. The State Property Tax Deferral program allows qualifying senior and disabled residents with income under $80,000 to defer property taxes on their primary residence (LD 897 of 2021). A second program, Property Tax Stabilization for Senior Citizens, allows Mainers who are 65 or older and who have lived in the state for 10 years or more to freeze their property taxes; under the new legislation, the property tax bill stays the same even if they move to a new property (LD 290 of 2022). In 2023, the state discontinued the Property Tax Stabilization program.

Maine also offers a variety of smaller exemptions for the blind, veterans and veterans' widows, and children, and provides for hardship abatements.

For taxable business equipment—a form of personal property subject to property tax—Maine offers a mix of property tax exemptions and reimbursements. The Business Equipment Tax Reimbursement (BETR) provides direct payments from the state to businesses that have paid taxes on eligible equipment, and the Business Equipment Tax Exemption (BETE) exempts eligible equipment and reimburses municipalities for at least 50 percent of the lost property tax revenue.

Under Maine law, municipalities are allowed to establish tax increment financing (TIF) districts for economic development purposes. Of Maine's $167 billion in total taxable value of land and buildings, approximately $4.8 billion is in TIF districts (Maine Revenue Services Property Tax Division 2020).

Table ME-2
Maine Property Tax Features, 2021

Feature	Maine	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state's municipal revenue sharing program began in 1972. Historically, it distributed to towns and cities 5 percent of state income and sales tax revenue, but the legislature routinely reduced revenue sharing by between 20 percent and 60 percent between 2010 and 2015. In 2016, the legislature cut the percentage of state income and sales tax revenue to be distributed to municipalities from 5 to 2 percent for fiscal years 2016 to 2019 (Maine Municipal Association 2018). The legislature increased the revenue sharing percentage to 3 percent for fiscal year 2020 and 3.75 percent for fiscal year 2021 (Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

Maine's constitution was amended in 1978 to require the state to reimburse towns and cities for at least 50 percent of the property tax revenue losses caused by property tax exemptions and credits enacted by the state, such as the homestead exemption and the business equipment tax exemption.

In 1992, Maine amended the constitution to require the state to fund 90 percent of any state mandate imposed upon a municipality by statute, order, or rule. However, mandates are still a controversial issue in the state; and in 2015, the senate president proposed a study of unfunded state mandates on towns.

The Business Equipment Property Tax Reimbursement program was established in 1995 to promote investment in manufacturing and other capital-intensive businesses. In 2004, Maine voters approved a ballot initiative to require the state to pay for 55 percent of the basic cost of K-12 education. In 2005, state lawmakers passed LD 1, which increased the homestead exemption and property tax circuit breaker and implemented spending growth limits at the municipal, county, and state levels of government. The limit does not apply to taxes raised for schools.

In the wake of the Great Recession, state lawmakers balanced the state budget in part by shifting costs to property taxpayers and scaling back property tax relief programs, but in 2015, the state began taking steps to reverse this downward trend by increasing funding for property tax relief and restoring cuts to municipal revenue sharing (Maine Center for Economic Policy 2018; Maine Municipal Association 2018; Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

Recent Developments

Major brick-and-mortar retailers have appealed dozens of valuations in Maine municipalities in recent years using vacant or "dark" properties as comparable sales to argue for reduced assessments. In 2022, the state enacted a law blocking dark stores assessment theory; the bill became law without the governor's signature (Garofalo 2022). LD 1129 of 2022 states that (1) valuation must be based on a property's highest and best use taking into account cost, income, and sales comparison approaches to value; (2) that assessors must consider "age, condition, use, type of construction, location, design, physical feature and economic characteristics"; and (3) properties subject to restrictions on their use can't be used as comparable sales in determining the value of properties free of restrictions (36 MRSA §701-A).

Maine launched the State Property Tax Deferral program for seniors and disabled residents in 2022. Supported by American Rescue Plan Act (ARPA) funds, the program reimburses municipalities for deferred property taxes for qualifying senior or disabled residents with household income below $40,000 and liquid assets below $50,000. Repayment of deferred property taxes to the program will sustain the program. Maine had a similar program in the 1990s (Maine Office of the Governor 2022).

The Property Tax Stabilization for Senior Citizens became law in 2022 without the governor's signature. Under the new law, homeowners who are 65 who were eligible for the state's homestead exemption and have owned a home in Maine for 10 years or more could have their property tax bill frozen, with the state reimbursing local governments for associated tax loss. The program had no income limit and residents could reapply each year. Once in the program, claimants could continue to pay the *stabilized* property tax amount even if they move to a higher value property (LD 290 of 2022) (Wade 2022). In its 2023 session, the legislature passed legislation to end the program and replace it with expanded benefits under the Property Tax Fairness Credit and Property Tax Deferral Programs. The measure increased the maximum benefit for the Property Tax Fairness Credit from $1,500 to $2,000 and doubled the income limit for the deferral program.

Maine's combination of large, sparsely populated inland counties, a population that is older and less wealthy than that of many other states, relatively high property taxes, and a coastline of spectacular natural beauty attractive to vacationers and summer residents, has led to many debates with fiscal and land use implications. Acadia National Park was the first national park created from land donated by private citizens, including summer resident John D. Rockefeller. In 2016, Roxanne Quimby, founder of natural cosmetics firm Burt's Bees, donated 87,500 acres in rural Maine to the federal government. The large amount of state land held by exempt organizations has occasionally been politically controversial, as with then-Governor Paul LePage's unsuccessful 2018 effort to end property tax exemptions for nonprofit entities (Neumann 2018). Most recently, in 2023, the town of Vinalhaven successfully challenged the tax-exempt status of the Hurricane Island Foundation, whose purpose is to "promote character development, leadership skills and self-discovery through outdoor educational experiences beyond the traditional classroom" (*Hurricane Island Foundation v. Town of Vinalhaven*, 2023).

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