The State Property Tax Deferral Program: A Guide for Applicants

What is it?

The State Property Tax Deferral Program (the "Program") allows certain individuals to defer (postpone) payment of the property taxes on their primary home until they pass away, move, or sell the property. While the individual is in the Program, the State reimburses the municipality for the deferred taxes.

The deferred tax, plus interest, must be repaid to the State by the individual or their estate when they pass away, move, sell the property, or (if a mobile or floating home) they move the property out of Maine.

Who qualifies?

To be eligible to apply, you must be either:

1) at least 65 years old;

or

2) unable to work due to a permanent disability.

To qualify under the disability group, you must have been determined by a state or federal agency to have a permanent condition
that prevents you from being employed.
In the case of joint owners, only one must meet the age/disability criteria. In addition to the age/disability criteria, to qualify you must meet certain other guidelines.

Income. Your income during the previous calendar year must be less than $40,000.*

Assets. If you are single, your liquid assets must be less than $50,000 (less than $75,000 if more than one owner). Liquid assets are things that you own and can be turned into cash in a short period of time. This includes, for example, bank accounts and life insurance policies, but doesn't include your house or car.*

** Please see the State Property Tax Deferral Application for specific instructions on how to determine your income and assets.*

Homestead exemption. You must be receiving a homestead exemption on your home. The homestead exemption is limited to the primary residence of people who live in Maine permanently. Your property tax bill will usually show whether you have a homestead exemption. If you are unsure, or believe you may be eligible for this exemption, contact your local assessor.

Own your home. You must own your home in what is known as "fee simple." This generally means that you own all the rights to your home and there is nothing that would prevent you from selling the property without anyone else's permission. If you are unsure, check your deed or ask a real estate professional.

<u>No municipal lien.</u> You must not have a municipal lien on your property. Municipal liens are usually placed for unpaid taxes.**

<u>No current municipal deferral.</u> You must not currently be in another program where your municipality is deferring your property taxes. Few places in Maine offer these types of programs and you would have had to apply. **

** *If you are unsure about either a municipal lien or municipal deferral, contact your local municipality to confirm.*

<u>No current federal prohibition.</u> You must not currently be subject to any federal restriction on your home that would prevent you from participating in the Program. If you are unsure, check with a real estate professional.

How do I apply to the Program?

Applications are available at the Maine Revenue Services ("MRS") website or from your local municipal office. You can also call the Property Tax Division of MRS at (207) 624-5600 to have an application mailed to you.

Complete an application and submit it between January 1 and April 1, with any required proof (such as age verification), to your local property tax assessor. Your assessor will check some information about your home and send the application to MRS, who will approve or deny your application.

When in doubt, fill it out!
If you aren't sure if you qualify, fill out
an application and MRS will review your information and tell you if you qualify.

How does the Program work?

Once you have applied and are approved to participate in the Program, you don't have to do anything. Each year, your municipality will

send your property tax bill to MRS (they may send you a copy for your files), and MRS will reimburse the municipality for the tax amount. You do not have to apply again and your property taxes for future years will continue to be deferred until either you decide to withdraw or one of the events described in the next section occurs.

When does the Program end?

Once you have been approved, there are two categories of events that could affect your ongoing eligibility for the Program.

The first category requires your home to be completely removed from the Program and requires repayment of all deferred taxes from all previous years plus interest.

The second category prevents you from deferring taxes for future years, but allows you to continue to defer taxes from prior years.

First Category - Events requiring complete removal and repayment.

- When you die, your estate (or heir(s)) must pay all outstanding taxes plus interest. But see FAQ #2 below.
- When you sell your home, you must pay all outstanding taxes plus interest.
- If the property in the Program is no longer your primary home (unless you are away for health reasons), you must pay all outstanding taxes plus interest.
- If you physically move your mobile home or houseboat to another state, you must pay all outstanding taxes plus interest.

Second Category - Events preventing future tax deferral.

- If you no longer own your home in fee simple (see *"Own your home"* above), you will no longer be able to defer taxes in future years, but you can continue to defer prior years' taxes.
- If there is a federal prohibition to deferring taxes on your home, you will no longer be able to defer taxes in future years, but you can continue to defer prior years' taxes.
- If you apply for and are accepted in another property tax deferral program run by your municipality, you will no longer be able to use the Program to defer taxes in future years, but can continue to defer prior years' taxes.
- If your municipality places a lien on your home, you will no longer be able to defer taxes in future years, but can continue to defer prior years' taxes.

If either category of event occurs, MRS will notify you and let you know when you must pay the taxes. MRS will also send you a statement each year with your current balance including the interest that has accrued.

Generally, when complete removal happens, you or your estate will have at least four months to repay the outstanding taxes and interest. If you are moving your home to another state, however, you must pay the outstanding taxes and interest no later than five days before you move.

Frequently asked questions

1. If I'm participating in the Program, does the State take my home when I die?

When you are accepted into the Program, MRS places a lien on your home to ensure payment of the deferred taxes and interest. When you die, your estate has until April 30th of the next year to repay the outstanding tax plus interest. Your heir(s) can request an extension under certain circumstances. If your estate (or heir(s)) fail to make payment or request an extension, MRS can foreclose on the property.

2. If I apply with my spouse, what happens when one of us dies?

If the surviving spouse qualifies for the Program on their own, they can continue to participate. If not, they may continue to defer prior years' taxes, but will not be able to defer future taxes until they qualify on their own.

3. What if my income or my assets go up after I'm already in the Program?

Once approved, changes in your income or assets in future years will not result in your removal from the Program.

4. If I have some extra money, can I pay some of the deferred tax and stay in the Program?

Yes. You, or someone on your behalf, may make a payment to MRS at any time without affecting your participation in the Program.

Maine Revenue Services
Property Tax Division
P.O. Box 9106
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Tel: (207) 624-5600
Email: prop.tax@maine.gov www.maine.gov/revenue/taxes/property-tax