

TRANSFERS FOR MUNICIPAL REVENUE SHARING – 30-A M.R.S.A. §5681

No later than the 10th day of each month, the State Controller transfers to the Local Government Fund 5.0% of the taxes collected and credited to the General Fund during the previous month under Title 36, Parts 3 and 8, as well as 5.0% of the taxes collected and credited to the General Fund under Title 36, section 2552, subsection 1, paragraphs A – F and L, which include the following taxes:

- The individual income tax;
- The corporate income tax;
- The franchise tax on financial institutions;
- A portion of the service provider tax; and
- Sales and use taxes.

From fiscal year 2010 to fiscal year 2015, fixed-dollar transfers back to the General Fund from the Local Government Fund were implemented to reduce amounts to be distributed through the revenue sharing programs without affecting the revenue sharing aspect of the 5.0% transfer provision. These statutory amounts were \$25,383,491 in fiscal year 2010, \$38,145,323 in fiscal year 2011, \$40,350,638 in fiscal year 2012, \$44,267,343 in fiscal year 2013, \$73,306,246 in fiscal year 2014 and \$85,949,391 in fiscal year 2015. These amounts were divided into monthly transfers. For fiscal years 2016 to 2019 the percentage of the revenue base transferred from the General Fund to the Local Government Fund has been 2.0%. In fiscal year 2020 the percentage transferred is 3% and in fiscal year 2021, 3.75%. Thereafter, it returns to 5.0%.

The amounts in the Local Government Fund are distributed to municipalities on the 20th day of each month by the State Treasurer, based upon a percentage of the total amount in the Local Government Fund. Each municipal entity receives a percentage of the total amounts to be distributed based upon a weighting of its population and local property tax burden factors. These distributions are referred to as “Revenue Sharing I” distributions.

A portion of the total amounts transferred monthly to the Local Government Fund must be transferred, in turn, to the Disproportionate Tax Burden Fund. Distributions from that fund to municipal entities are referred to as “Revenue Sharing II” distributions. The percentage for all Revenue Sharing II distributions is set by statute at 15% for fiscal year 2010, increasing each year thereafter at the rate of 1% per year until reaching 19% in fiscal year 2014, and at the rate of 20% for subsequent fiscal years. In addition, a fixed-dollar amount is separately transferred from the General Fund to the Disproportionate Tax Burden Fund as follows:

- \$2 million in fiscal year 2010
- \$2.5 million in fiscal year 2011
- \$3 million in fiscal year 2012
- \$3.5 million in fiscal year 2013, and
- \$4 million in fiscal year 2014 and in subsequent fiscal years.

The State Treasurer distributes funds from the Disproportionate Tax Burden Fund to municipalities on the 20th day of each month. Funds are distributed to each municipal entity according to a percentage of the total amount. The percentage is calculated using the mill rate amount in excess of 10 mills, applying a weighting factor similar to that used in Revenue Sharing I, but only factors in municipal entities with mill rates in excess of 10 mills when calculating the amounts of Revenue Sharing II distributions. Beginning on July 1, 2013, if the total revenue-sharing distribution from the Local Government Fund is provided to Revenue Sharing I municipalities without transfer or reduction, the threshold for Revenue Sharing II municipalities will be increased by ½ mill per year until only municipalities with an equalized property

tax rate in excess of the statewide average property tax rate are entitled to a share of the Disproportionate Tax Burden Fund transfer each year.

Transfers for Municipal Revenue Sharing

Fiscal Year	General Fund	Other Special Revenue Funds	Total All Funds
2011	(\$93,156,725)	\$93,156,725	\$0
2012	(\$96,876,964)	\$96,876,964	\$0
2013	(\$95,974,153)	\$95,974,153	\$0
2014	(\$66,063,110)	\$66,063,110	\$0
2015	(\$63,600,996)	\$63,600,996	\$0
2016	(\$67,355,586)	\$67,355,586	\$0
2017	(\$65,228,793)	\$65,228,793	\$0
2018	(\$69,338,529)	\$69,338,529	\$0
2019	(\$74,095,532)	\$74,095,532	\$0
2020	(\$113,613,360)	\$113,613,360	\$0

Revenue Notes – Transfers for Municipal Revenue Sharing

The General Fund column shows the amounts of General Fund revenue transferred from individual income tax, corporate income tax, franchise tax on financial institutions, sales and use taxes and a portion of the service provider tax. The Other Special Revenue Funds column shows the amounts transferred to the Local Government Fund and the Disproportionate Tax Burden Fund. At the close of fiscal year 2009, the June transfer of \$18.2 million was not made, increasing total General Fund revenue by that amount. The July 2009 transfer to the Local Government Fund was based on June 2009 revenue and began the new procedure for the calculation and timing of revenue sharing transfers. This new process and the delay in the transfer from the General Fund beginning in June of 2009 did not affect the payments to municipalities.

History – Transfers for Municipal Revenue Sharing

First implemented by PL 1971, c. 478. For fiscal years 1972 and 1973, the distributions were provided by appropriations of \$2,900,000 and \$3,700,000, respectively. Beginning July 1, 1973, 4% of the collections of the individual income tax, corporate income tax, franchise tax on financial institutions and sales and use taxes were set aside for distribution to municipalities. PL 1981, c. 522, effective July 1, 1983, required in addition to the 4% that \$237,000 of sales and use tax receipts be transferred monthly to the Local Government Fund for municipal revenue sharing. Amended by PL 1983, c. 855 to increase the percentage from 4% to 4.75%, effective June 30, 1984, and to increase the percentage again from 4.75% to 5.1%, effective July 1, 1985. PL 1991, c. 780, part Q, effective August 1, 1992, eliminated the provision requiring the transfer of the \$237,000 per month or \$2,844,000 annually from sales and use tax receipts.

The transfers to the Local Government Fund were suspended for 6 months in fiscal year 1992 to achieve approximately \$32.5 million in additional General Fund revenue. This suspension was partially offset by a General Fund appropriation of \$14,400,000 in the same fiscal year. PL 2001, c. 559, Part G postponed to May 1, 2003 the increase to 5.2% originally schedule for January 1, 2003 by PL 2001, c. 439, Part OO. PL 2001, c. 714, Part Y further postponed the increase to 5.2% until July 1, 2003. PL 2003, c. 20, Part W further postponed the increase to 5.2% until July 1, 2005. PL 2003, c. 20, Part AAA transferred \$13,570,000 in fiscal year 2004 and \$9,600,000 from the Local Government Fund to the General Fund and replaced the funding with balance transfers from the Highway Fund. PL 2005, c. 12, Part E postponed the increase to 5.2% until July 1, 2007. PL 2005, c. 2, Part H re-based the annual growth ceiling on the Local Government Fund. PL 2007, c. 240, Part S postponed the increase to 5.2% until July 1, 2009. PL 2005, c. 457, Part DD transferred \$5,000,000 from the Local Government Fund back to the General Fund. PL 2005, c. 623 required annual transfers from the General Fund to the Disproportionate Tax Burden Fund increasing to \$4,000,000 in fiscal year 2014 and thereafter.

PL 2009, c. 213 Part S decreased the amount transferred to 5% beginning July 1, 2009 and changed the tax base on which the transfers are calculated. Part S also replaced the annual growth ceiling determination of the amounts transferred to the Disproportionate Tax Burden Fund with a fixed percentage transfer, initially set at 15% of transfers to the Local Government Fund in fiscal year 2010, and then increasing by 1% each year until reaching 20% in fiscal year 2015. PL 2009, c. 213 Part S also required a one-time transfer of \$18,758,840 in fiscal year 2010 and \$25,260,943 in fiscal year 2011 from the Local Government Fund to the General Fund. PL 2011, c. 1 Part N increased the amount of the one-time transfer from the Local Government Fund to the General Fund scheduled in fiscal year 2011 to \$38,145,323. PL 2011, c. 380, Part I continued the one-time transfers into fiscal year 2012 and 2013 at \$40,350,638 and \$44,267,343, respectively. PL 2011, c 656 provides that beginning on July 1, 2013, if the total revenue-sharing distribution from the Local Government Fund is provided to Revenue

Sharing I municipalities without transfer or reduction, the threshold for Revenue Sharing II municipalities will gradually be increased until only municipalities with an equalized property tax rate in excess of the statewide average property tax rate are entitled to a share of the Disproportionate Tax Burden Fund transfer each year. PL 2013, c. 368, Part J continued the one-time transfers from the Local Government Fund to the General Fund at \$73,306,246 for fiscal year 2014 and at \$85,949,391 for fiscal year 2015. Part S of that law also added an additional contingent \$40,000,000 transfer for fiscal year 2015 if a review of tax expenditures pursuant to that part did not result in enactment prior to July 1, 2014 of legislation to generate an increase of budgeted General Fund revenue of \$40,000,000 in fiscal year 2015. PL 2013, c. 487 repealed the \$40,000,000 contingent transfer contained in PL 2013, c. 368, Part S. PL 2015, c. 267, Part K reduces, for fiscal years 2016 – 2019, the revenue sharing transfer from 5% to 2%. PL 2019, c. 343, Part H changes the revenue sharing percentage to 3% in fiscal year 2020 and 3.75% in fiscal year 2021. In fiscal year 2022 and thereafter, the rate returns to 5%.

TAX RELIEF PROGRAM TRANSFERS – 36 M.R.S.A. c. 105, sub-chapter 4-C, c. 907 and c. 915

Funding for three of the major tax relief and tax reimbursement programs has been provided through transfers from General Fund revenue to various reserve accounts, from which the expenditures are made. These revenue reductions are directed by statute for programs that would otherwise be funded by General Fund appropriations. Prior to fiscal year 2010, these transfers were specifically designated as reductions of individual income tax revenue, and consequently reduced the amount of transfers for municipal revenue sharing. In fiscal year 2010, however, these transfers began to be recorded as reductions of General Fund revenue, thus no longer specifically reducing individual income tax revenue. A summary of these three programs is provided below. The revenue table indicates the fiscal years for which the programs were implemented as revenue reductions.

The **Maine Residents Property Tax (“Circuit Breaker”)** program permitted eligible Maine residents to apply for and receive a refund of property taxes and/or rent paid on their primary residence. One refund claim per household/homestead was allowed annually. The program was replaced with an income tax credit in 2013, the property tax fairness credit. At the time of its repeal, the maximum possible refund per household was normally \$2,000. Different income threshold amounts applied to single persons, couples and seniors. Additionally, property taxes had to exceed 4% of annual income and rental payments had to exceed 20% of annual income for the refund to be awarded. For application periods beginning August 1, 2009 through August 1, 2012, the benefits were limited to 80% of the amount to which those households would otherwise be eligible under the program.

The **Business Equipment Tax Reimbursement (“BETR”)** program provides a refund of tax to reimbursement claimants for qualifying business equipment property first placed in service in Maine between April 2, 1995 and April 1, 2007. The program also grants a reimbursement for certain retail equipment even if placed into service after April 1, 2007. The reimbursement rate is 100% for the first 12 years (except for taxes paid in calendar years 2005, 2008, 2009 and 2012, which had a 90% reimbursement rate and taxes paid in 2013 which have an 80% reimbursement rate). Beyond 12 years, the reimbursement rate is reduced each year, until it reaches a reimbursement rate of 50% in the 18th year and subsequent years.

The **Business Equipment Tax Exemption (“BETE”)** program is a 100% municipal property tax exemption for qualifying business equipment property first subject to assessment on or after April 1, 2008. There is no time limit on the length of the exemption. While certain property is “grandfathered” under BETR, BETE effectively picks up where the BETR program schedule leaves off and applies to the same type of property and benefits the same kinds of applicants as BETR, except that certain retail equipment covered by BETR is not eligible for exemption under BETE and continues to be covered under the BETR program. The General Fund transfers provide for reimbursement to municipalities for 50% of property tax losses due to the exemption for 2013 and subsequent property tax years.