City of Portland, Maine

Finance Committee Meeting Agenda

Thursday, July 20th, 2017

5:30PM - Room 209

1. Finance Committee Meeting Agenda

    Documents:

    FINANCE COMMITTEE AGENDA 7-20-17.PDF

    1.I. Finance Committee Meeting Agenda Back-Up

        Documents:

        FCBACKUP720.PDF

City of Portland, Maine
Finance Committee Meeting Agenda
Thursday, July 20th, 2017
5:30PM - Room 209

1. **Introductions**

2. **City Council Common Goals / Finance Committee Goals Continued**
   a. **"Develop proposal for targeted tax relief"**
   b. **City Council Order 288-16/17 – Presentation by Mayor Strimling**

3. **State of Maine Budget Discussion**

4. **Future Meeting Dates / Topics**

5. **Adjournment**

Order 288-16/17
Tab 28 6-19-17

ETHAN K. STRIMLING (MAYOR)
BELINDA S. RAY (1)
SPENCER R. THIBODEAU (2)
BRIAN E. BATSON (3)
JUSTIN COSTA (4)

CITY OF PORTLAND
IN THE CITY COUNCIL

DAVID H. BRENERMAN (5)
JILL C. DUSON (A/L)
PIOUS ALI (A/L)
NICHOLAS M. MAVODONES, JR (A/L)

ORDER REFERRING THE PORTLAND SENIOR TAX EQUITY PROGRAM TO THE FINANCE COMMITTEE

ORDERED, that the City Council hereby refers the proposed Senior Tax Equity Program Ordinance, attached hereto, to the Finance Committee; and

BE IT FURTHER ORDERED, that the Finance Committee review the proposed ordinance and provide its final recommendation on this issue to the City Council.

Office of the Mayor, Ethan K. Strimling

Portland Senior Tax Equity Program [P-STEP]

In an effort to help ease the burden of rising housing costs for low-income seniors, presented here is the Portland Senior Tax Equity Program [P-STEP]. This program will provide an average of $300 in tax/rent relief for our most needy seniors.

Since FY 2013, property taxes in Portland have risen a total of 15%, equaling an increase of about $680 for the average home. Further, rents have climbed 20%-40% between 2010 and 2015. However, during that same time, that increased cost of housing has outpaced incomes - especially for seniors with fixed or low incomes. In fact, since 2013, Social Security benefits have risen only 5.3% (with a 2017 increase of 0.3%). The P-STEP program aims to keep some of our most vulnerable neighbors in their homes by easing this financial burden.

The program utilizes the State of Maine Property Tax Fairness Credit Program as it's foundational eligibility structure. The State Program was enacted in 2013 to address concerns that Mainers were using an increasing amount of their income to pay rent and/or property taxes.

Accordingly, almost 1,000 seniors living in Portland use the state credit because their property taxes or rent are currently unaffordable. Unfortunately, the state only rebates half of what is needed to truly bridge the gap. This program, modeled on programs implemented in a number of surrounding communities, will relieve the other half.

Who benefits?

The P-STEP would be available for any household with a Portland resident 62 years or older who receives a benefit under the State Program. Criteria includes a household adjusted gross income of $33,333 to $53,000 depending on the size of the household. Property taxes paid in the refund year must be more than 6% of the household income. Rent must be more than 40%.

How much will a homeowner/renter receive?

An individual homeowner or renter can receive up to $900 under the P-STEP. Under the state program, eligible Portland seniors receive an average of $304 ($197 per renter and $324 per homeowner). This program will match those amounts dollar for dollar.

What other communities do this?

Locally-enacted property tax assistance programs are not a new phenomenon. To date, we have found similar programs in South Portland, Scarborough, Cumberland, Kennebunkport, Berwick, Harpswell, Kittery and York. While each community tailors their program to best meet that local community's need (different age restrictions, reimbursable amounts, and/or residency requirements), each addresses the fundamental issue of targeting relief to those who need it most.

What will it cost?

According to Maine Revenue Service, under the State Program, in 2015, a total of $270,524 was paid to 889 Portland applicants over the age of 62, for an average of $304 per recipient. Specifically, $27,582 in benefits were paid to renters (140 applicants for an average of $197) and $242,942 was paid to homeowners (749 applicants averaging $324 per credit).

In other towns that have a similar program, they do not see 100% usage by those who got the state credit. Assuming 90% usage in Portland (very high), the cost to us would be approximately $250,000.

How will we pay for it?

As proposed, the P-STEP would go into effect in the next budget, FY'19. Upon passage of this program, the City Manager would be tasked with including full funding of the proposal in next year's proposed budget for Council consideration.

When does it go into effect?

Fiscal Year 2019 (next year's budget). It is contemplated that the P-STEP shall apply to benefit applications filed with the City on or after March 15, 2019, for a benefit relative to the 2018 income tax year and subsequent income tax years. Upon presentation of the budget to the City Council beginning with the FY 2019 budget, the City Manager shall propose an appropriation of funds to support the P-STEP.

This timing will also coincide the first rebates to go into effect when the re-valuation takes effect, providing relief to those who will see large property value increases, but without an accompanying increase in income.

AMENDMENT TO PORTLAND CITY CODE

CHAPTER 2 (ADMINISTRATION) ARTICLE XI

(PORTLAND SENIOR TAX EQUITY PROGRAM)

Article XI. Portland Senior Tax Equity Program

Cross reference(s) --

State law reference(s) -- Tax credits, 36 M.R.S.A. Sec. 5219-KK; Maine Residents Property Tax Program, 36 M.R.S.A. Sec. 6201 et seq.; Municipal property tax assistance, 36 M.R.S.A. Sec. 6231 et seq.

§ 2-451. Definitions.

For purposes of this Article:

Applicant shall mean a person who files with the City an application for a benefit under the Program.

Director shall mean the Finance Director of the City of Portland or his or her designee.

Eligible applicant shall mean a person who is determined, after review of a complete application under this Article, to be eligible for a Program Benefit under the terms of this Article.

Homestead shall have the same meaning as in 36 M.R.S.A. § 5219-KK(1)(C), as may be amended from time to time.

Program shall mean the Portland Senior Tax Equity Program established by this Article.

Program Benefit shall mean the amount of the refund payment for which an eligible applicant is qualified as determined by the Director under this Article.

Program Fund shall mean a dedicated account into which funds for the Program that are appropriated by the City Council are placed.

State Program shall mean the Maine Property Tax Fairness Credit Program established by 36 M.R.S. § 5219-KK, as may be amended from time to time.

Year shall mean January 1 through December 31.

§ 2-452. Purpose of Program; Program Description.

The purpose of this article is to establish a Program to provide property tax assistance in the form of a refund payment to income-eligible persons at least sixty-two (62) years of age who have a homestead in the City of Portland and who qualify for a tax credit under the State Program.

§ 2-453. Eligible Applicant.

In order to be an eligible applicant for a benefit from the City under the Program, an applicant must demonstrate all of the following:

(a) The applicant must be 62 years of age and have a homestead in the City at the time of application.

(b) If the applicant owns his or her homestead, the applicant paid in full all property taxes for the year for which the refund is requested. If the applicant rents his or her homestead, the applicant paid rent during the year for which the refund is requested.

(c) The applicant has received a tax credit under the State Program for the prior year.

§ 2-454. Application and Benefit Payment.

In order to qualify for a benefit under the Program, applicants must submit an application between March 15 and May 15 relative to the prior year's income tax for a benefit under this Article. An application is required each year that an applicant desires to participate in the Program. The Director shall provide an application form for the Program, which shall include, at a minimum, the applicant's name, homestead address, and contact information. As part of the application, the Applicant shall authorize the City to obtain documentation from Maine Revenue Services establishing the amount of the credit the applicant received under the State Program. The Program is based on the State Program and relates to property taxes assessed and paid or rent paid in the preceding year. The Director shall review and determine if the application is complete and accurate and if the applicant is an eligible applicant. The Director's determinations as to whether an applicant is an eligible applicant and the amount of the applicant's Program benefit shall be final.

§ 2-455. Determination of Eligibility; Amount of Program Benefit.

If the Director determines that an applicant is an eligible applicant, the Director shall then determine the applicant's Program benefit, which shall be the lesser of the following amounts:

(a) The amount of credit the applicant qualified for under the State Program;

(b) Nine hundred dollars ($900.00); or

(c) A pro rata share of available monies in the Program fund based on the amount of each eligible applicant's credit under the State Program.

§ 2-456. Creation of Program Fund; Limitation on Payments.

Upon presentation of the budget to the City Council, the City Manager shall propose an appropriation of funds to support this Program. If the Council approves the appropriation of such funds, they shall be placed in the Program Fund. Any surplus monies available after all payments have been made in a given year shall remain in the Program Fund. In the event that the City Council fails to appropriate funds for the Program Fund, or if there are insufficient funds in the Program Fund to pay any eligible applicant all or part of the applicant's Program benefit, the applicant's request for a benefit under the Program will not carry over to the next year.

§ 2-457. Payments.

An eligible applicant shall be mailed a check for the Program Benefit no later than September 30 of the year in which the applicant files an application, or within thirty days after the City receives satisfactory documentation that the applicant has received a tax credit under the State Program for the prior year.

§ 2-458. One Eligible Applicant Per Household.

Only one eligible applicant per homestead shall be entitled to payment under the Program each year. The right to file an application under this Article is personal to the applicant and does not survive the applicant's death, but the right may be exercised on behalf of the applicant by the applicant's legal guardian or attorney-in-fact. If an applicant dies after having filed a timely and complete application that results in a determination that the applicant is eligible, the amount determined by the Director shall be disbursed to another member of the household as determined by the Director. If the applicant was the only member of a household, then no payment shall be made under the Program.

§ 2-459. Effective Date.

This Ordinance shall apply to benefit applications filed with the City on or after March 15, 2019, for a benefit relative to the 2018 income tax year and subsequent income tax years.

MEMO

To: Mayor Ethan Strimling

From: Danielle P. West-Chuhta, Corporation Counsel

Date: January 14, 2016

Re: Maine Circuit Breaker Program/Maine Property Fairness Credit

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I. History and Overview of the Maine Circuit Breaker/ Maine Property Tax Fairness Credit

The Maine Property Tax and Rent Refund Program (a.k.a. CircuitBreaker Program) was program was terminated in 2013 in by the 126th legislature. 36 M.R.S.A. 907 §6221. It was replaced by the "Property Tax Fairness Credit" (PTFC). The purpose of the credit is to refund taxpayers for a percent of property taxes or rent paid, if those costs exceed their income by a certain amount. This is a refundable tax credit. The PTFC was a compromise made by the legislature after the Governor stated a desire to make the program available only to veterans or those over 70 years of age. The PTFC was enacted to abate concerns that people are increasingly using a larger portion of their income to pay rent and/or property taxes. A second desire was to simplify the application process. (http://www.mainelegislature.org/legis/bills/bills_126th/billtexts/HP107301.asp).

II. How do you Apply for the PTFC?

To apply for the PTFC credit an applicant must file (1) the Maine income tax return Form 1040ME, and (2) the Property Tax Fairness Worksheet between January 1 and April 15th. To qualify for the credit an applicant must show:

(1) They own their home or pay rent;

(2) They have been a Maine resident for some portion of the tax year;

(3) Their household adjusted gross income no more than $33,333 (1 person), $43,333 (2 people), or $53,333 (3+ people). Adjusted for cost of living; and

(4) Property taxes paid on their home was more than 6% of their adjusted gross income or rent paid was more than 40% of adjusted gross income.

Applicants may also file retroactively, up to three years prior to the normal filing deadline. Since the PTFC was enacted in 2013, claims may only go back until that point. Only one claimant per household can received the credit.

III. How is the PTFC Calculated?

The following is a break-down of how to calculate the credit for homeowners and renters:

Homeowners: The benefit is based on any property tax amount that is more than 6% of your adjusted gross income. Your credit is 50% of that amount. In 2015 the most you can get is $600 ($900 if you or your spouse is 65 years of age or older).

Renters: The formula is the same for renters, except that your "property tax amount" is deemed to be 15% of the rent you paid during the tax year. (http://www.maine.gov/revenue/taxrelief/ptfcsummary.htm; http://ptla.org/maine-property-tax-fairness-credit).

IV. What is the Difference Between the Maine Property Tax and Rent Refund and the PTFC?

The following is a list of some of the differences:

(1) The PTFC expanded the definition of "income" for purposes of determining eligibility for the credit. Non-taxable income can now be added to the modified adjusted gross income (MAGI) including contributions to retirement accounts, distributions to IRAs, and social security payments. This was previously included as income in the Circuit Breaker Program.

(2) Previously, property taxes under the older version of the PTFC needed to exceed 10% of income to qualify, (Circuit Breaker used 4%). That has since been reduced to 6%.

(3) Relief under old PTFC was $300 for non-elderly and $400 for those 70 or older. Now, the credit is $600 for applicants under 65 years of age and $900 for those 65+ years of age.

(4) Previously, applicants only received a credit equal to approximately 40% of the amount by which their property bill exceeded the eligibility threshold. That is now 50%.

(5) Phase out of eligibility levels: Previously, an applicant was cut-off if they earned more than $40,000 annually. Now, there are three income phase out levels: at $33,333 for a household of 1, $43,333 for a household of 2; and $53,333 for a household of 3+ (adjusted for inflation, which will be approximately $50/year).

(6) Previously, non-disabled seniors living in subsidized housing did not qualify for the credit. Individuals in subsidized housing will now qualify.

(7) Amount of rent considered "property tax" was reduced from 25% to 15% of renter's income.

(http://www.mejp.org/content/property-tax-fairness-credit-will-help-more-people).

V. A Summary of Municipal Property Tax Assistance

Title 36 M.R.S.A. 907-A §§6231-6233 grants the legislative bodies of municipalities the authority to adopt a program which provides benefits to persons with homes in that municipality. Municipalities are able to restrict the age of those who may qualify to at least 62 years of age. Under the statute any program adopted by a municipality must at least:

(A) Require that the claimant has a homestead in the municipality;

(B) Provide benefits for both owners and renters of homesteads; and

(C) Calculate benefits in a way that provides greater benefits proportionally to claimants with lower incomes in relation to their property taxes accrued or rent constituting property taxes accrued.

There is an exception to that criteria under §6232 (1-A). Under that provision the municipality may establish a volunteer program that permits claimants who are at least 60 years of age to earn benefits up to a maximum of $750 by volunteering to provide services to a municipality. This kind of program would not need to meet requirements (B) and (C) noted above. Benefits provided through the volunteer program must be related to the amount of service provided. Benefits received under this program are not considered income of Part 8 (statute regarding income taxes). A municipality is allowed to establish other standards of eligibility for this program.

VI. Local Municipalities' Property Tax Assistance Ordinances

As of now, the towns of Cumberland, South Portland and Kennebunkport have adopted their own property tax assistance ordinances. Although generally similar in structure, they do differ in a couple of ways. At the onset, Cumberland's ordinance has an age restriction of 67 years of age versus South Portland, which sets their floor at 70 years of age. Kennebunk does not have an age limit. All ordinance require the applicant to have a homestead, owned or rented, in the municipality. However, Cumberland and Kennebunk require the applicant to have a homestead in that municipality for the entire year prior to the date of the application. Whereas, South Portland requires the applicant to have the homestead for two years prior to the date of application.

All three municipalities require the applicant to have received a refund under the PTFC program and to show residency in their respective municipality. Cumberland and Kennebunk require residency for at least ten years immediately proceeding the date of application. South Portland requires residency "at least ten out of the last 12 years" immediately proceeding the date of application. Singularly, South Portland requires that if the applicant owns the homestead, they must apply for the homestead property tax exemption pursuant to the Maine Resident Homestead Property Tax Exemption program.

Both municipalities assign someone (Town Manager and/or Finance Director) to determine eligibility. All municipalities limit awards to one qualifying applicant per homestead.

- The amount awarded in Cumberland is the lesser of: (1) the amount awarded by the PTFC; (2) available monies in the Town Circuit Breaker fund; or (3) $750.
- The amount awarded in South Portland is similarly the lesser of: (1) the PTFC credit; (2) available monies; or (3) $400.
- Kennebunk awards the lesser of: (1) 50% of the PTFC credit; (2) available monies; or (3) $500.

Finally, South Portland's ordinance has one additional clause, entitled "Relationship to Poverty Abatement and General Assistance Applications" which states "the amount of any refund received by a qualifying applicant under this Program may be considered by the City in determining eligibility for a poverty abatement or general assistance."

Property Tax Fairness Credit in 2015, Portland							
	Under 62				62 and Over		
	Amount	Returns	Average		Amount	Returns	Average
Paid Rent	$302,480	1,382	$219		$27,582	140	$197
Did Not Pay Rent	$270,112	729	$371		$242,942	749	$324
Total	$572,592	2,111	$271		$270,524	889	$304
Age is oldest age for a married couple.							

MEMO

To: Michael Goldman, Esq.
From: Sarah Scola
Date: April 25, 2017
Re: Local Municipalities' Property Tax Assistance Programs

Below please find a brief review of select municipal Property Tax Assistance Programs indicating the yearly budget, number of applicants, and average refund.

Town of Kennebunkport
Contact: Jennifer Lord, Treasurer
207-967-4243 ext. 108

The Town of Kennebunkport started offering a Property Tax Assistance Program in 2010. Expenditures for the first year of the refund program totaled $25,222 and benefitted 85 applicants. The yearly budget for the first years of the program was $20,000. However, the number of applicants has decreased over the years. The unobligated balance of program funds at the end of the budget period are carried forward. Last fiscal year the Property Tax Assistance Program served 17 households. The average refund was $240.00

City of South Portland
Contact: Rebekka Conley, Tax/Treasury Specialist
rconley@southportland.org

South Portland started offering a Property Tax Assistance Program in 2012. The budget for FY17 was $35,000.00. The City will match up to $400 of what the resident *qualified* for through the State of Maine for the Property tax Fairness Credit. So far, (the deadline is 4/21/17) the City has refunded/credited $29,835.00. Renters are also eligible for the program. The City has had 111 approved applications, for an average refund/credit of $268. Anything left in the budget will carry to the following year.

Town of Cumberland
Contact: Tammy O'Donnell, Town Clerk/Deputy Tax Collector
todonnell@cumberlandmaine.com

Cumberland started offering a Property Tax Assistance program last year. The Town refunded $116,000 to 172 applicants. The average refund was $750.00.

The Maine Municipal Association does not maintain a list of municipalities that have adopted tax assistance ordinances.

State of Maine - Property Tax Fairness Credit

Contact: David Heidrich, Director of Communications,
Maine Department of Administrative and Financial Services
david.heidrich@maine.gov

Property Tax Fairness Credit in 2015, Portland

Age	Amount	Number	Average
35 and under	217,697	987	221
36-50	179,066	578	310
51-64	206,081	635	325
65+	240,272	800	300
All	843,116	3,000	281

Age is oldest age for a married couple.

An Act To Expand Property Tax Relief for Maine Residents

The bill requires that 1% of surplus General Fund revenue be transferred annually to a nonlapsing fund to be used to increase the maximum property tax fairness credit. (http://legislature.maine.gov/LawMakerWeb/summary.asp?paper=SP0315&SessionID=12)

Referred to Committee on Taxation on March 9, 2017. Public hearing scheduled for Thursday, April 27, 2017.

Municipal Property Tax Deferral for Seniors

Municipalities may also adopt a property tax deferral program for senior citizens by ordinance pursuant to 36 M.R.S.A. § 6271. (http://legislature.maine.gov/statutes/36/title36sec6271.html)

Maine law authorizes a municipality to adopt an ordinance allowing seniors who are at least 70 to defer taxes on their principal dwelling if they have lived there for at least 10 years and their household income does not exceed 300% of the federal poverty level.

Title 36 M.R.S.A. 907-A §6232(1-A) Volunteer Program.

The following information has been provided by the Maine Municipal Association:

Maine Townsman - June, 2008

The Legislature has enacted a new law authorizing municipalities to allow taxpayers who are at least 60 years of age to volunteer and work-off up to $750 of their property tax bill (see PL 2007, c. 635, enacting 36 M.R.S.A. § 6232(1-A)). There are a number of important limitations, however.

In order to participate, a municipality must have an ordinance enacted by its legislative body (town meeting or town or city council). This is a local option. Municipalities must "opt-in" if they wish to participate. No action is required if they do not. In addition, the taxpayer must have a homestead (permanent residence) in the municipality.

There are also a number of unanswered questions about the program. For example, what eligibility criteria (other than at least age 60) should apply? How should volunteers be "paid"? What about workers compensation and tort liability coverage? And how will the program be supervised and funded (there is no State funding)?

Payments under the program are exempt from Maine income taxes but are considered income for federal income tax and FICA tax purposes. (By R.P.F.)

Tax Relief For Seniors: New Sample Ordinance
Maine Townsman - November, 2008
Earlier this year the Legislature enacted a new law authorizing municipalities to allow taxpayers over 60 to work off up to $750 of their property tax bill (see "New Tax Relief Program for Senior 'Volunteers'," Maine Townsman, "Legal Notes," June 2008). In order to participate, however, a municipality must have an ordinance enacted by its legislative body (town meeting or town or city council). Until recently, no one had drafted such an ordinance, but now the Town of Kittery (which initiated the legislation) has enacted one.

Kittery's ordinance sets up a benefit program for seniors who over-qualify for General Assistance by no more than 15% and who have received a property tax refund under the State's "Circuit Breaker" program. The amount of the benefit is based on the number of hours worked multiplied by the prevailing State minimum wage, up to $750. The benefit is applied directly to property taxes or rent, as applicable. Participation is limited to one applicant per household per year.

PROPERTY TAX ASSISTANCE PROGRAM
TOWN OF KENNEBUNKPORT
Application Deadline—June 30, 2017

Have you received a property tax refund this year from the State of Maine Property Tax and Fairness Credit Program? Check only one box: □ Yes: If yes, please complete form below.
□ No: If no, you are not eligible for this program.

Name: ______________________________ Home Phone Number ____________

Property Address:____

Map, Block, and Lot Number (on property tax bill): ______________________

Mailing Address (if different than property address): ____________________

E-mail Address: ____

How many years have you been a full-time resident of Kennebunkport? _____

How many years at your current address? _____

Select one option: □ Send my refund by check.
□ Apply my refund to next year's taxes.

Proof of residency in the municipality is based on one or more of the following:	Yes	No
I am a registered voter in the municipality.	□	□
I pay motor vehicle excise tax in the municipality.	□	□
I pay income taxes in the State of Maine.	□	□
The address on my driver's license is the same as the address above.	□	□

Required: If you are a tenant in your home, you must provide a copy of your lease.

For assistance with the completion of this form, please call Jen at 207-967-4243 ext 108 to schedule an appointment.

Please return form to: Jennifer Lord, Treasurer
6 Elm Street
P.O. Box 566
Kennebunkport, ME 04046

REMINDERS:

If a renter, have you attached a copy of your lease?
This form must be received by the Town no later than June 30, 2017.
Refunds may be applied to other outstanding town debts you may owe.

I declare that the responses on this application are, to the best of my knowledge, true and correct:

______________________________ ______________________
Signature of Applicant Date

Town of Kennebunkport
PO Box 566
Kennebunkport, ME 04046
Attn: Jennifer Lord

State of Maine
Maine Revenue Services
PO Box 9116
Augusta, ME 04332-9116

Maine Residents
Property Tax Fairness Credit
2016
Release of Information
Consent Form

I hereby authorize Maine Revenue Services (MRS) to provide information relative to my Maine Residents Property Tax Fairness Credit to the Town of Kennebunkport.

I understand that the information provided by MRS will include the full amount of the refund for which I was eligible.

Maine Revenue Services will provide the refund information only if this form has been signed by the refund recipient. The information so provided is intended to be used solely for the purpose of determining my eligibility under the Town of Kennebunkport's "Local Property Tax Assistance Program."

The Town of Kennebunkport agrees upon receipt of this form and under penalties of applicable law to hold all taxpayer information contained in this form in strict confidence and to use the information contained in this form strictly for the purposes stated herein.

To be completed by refund recipient:

Social Security number: ________________ Printed name ________________________

Address: ____

____

Signature of refund recipient: ___________________________

Date signed: ________________

Office use only:

Refund amount: ____________ Did not apply: ____________

Request to:
State of Maine
Maine Revenue Services
Fax: (207) 624-9694
Tel: (207) 626-8475

Reply to:
Town of Kennebunkport
Treasurer's Office
Fax: (207) 967-8470
Tel: (207) 967-4243 xt 108