

**Business Equipment  
Property Tax Relief  
Programs  
BETR / BETE**

**Maine Revenue Services  
Property Tax Division  
August 2, 2007**

# BETR

- Reimbursement program
- Generally applies to “BETR qualifying” equipment first placed in service in Maine from 4/2/95 to 4/1/07
  - But continues for certain retail equipment even if placed in service in Maine after 4/1/07
- This equipment continues in BETR until removed from tax rolls
  - 12 year limit eliminated but reimbursement rate drops after 12 years

# BETE

- Exemption Program
- Applies to “property tax exempt qualifying” equipment first subject to tax in Maine on or after 4/1/08
  - With some exceptions, applies to same companies and types of property as BETR
  - Does not apply to certain retail equipment

**BETR**

# Reimbursement and Duration

- **100% of taxes for the first 12 years (except 90% for taxes paid in calendar year 2005)**
- **For years 13 and thereafter:**

<b>13<sup>th</sup> year</b>	<b>75%</b>
<b>14<sup>th</sup> year</b>	<b>70%</b>
<b>15<sup>th</sup> year</b>	<b>65%</b>
<b>16<sup>th</sup> year</b>	<b>60%</b>
<b>17<sup>th</sup> year</b>	<b>55%</b>
<b>18<sup>th</sup> year</b>	<b>50%</b>
<b>and later</b>	
- **Applies on a per item basis**

# What Business Property?

- **Generally: eligible property first placed in service in Maine after April 1, 1995, but on or before 4/1/07**
- **Continues for certain retail equipment even if placed in service in Maine after 4/1/07**

# **Eligible Property (Exceptions Noted Below)**

- **Certain tangible personal property**
- **Fixtures that further a particular trade or business activity**
- **Parts, additions and accessories**
- **Construction in progress**
- **Inventory parts**
- **Must be devoted to business purpose**
- **Must be depreciable under IRC**
  - **Or would be, but for fact fully depreciated**

# Eligible Fixtures

- Land and building attachments
  - Eligible if used to further a particular trade or business activity v. primarily used to serve the building as a building or to further the use of land as land
    - Manufacturing process piping or electrical v. building plumbing or electrical
    - Example: Manufacturer's clean room air system v. normal HVAC
    - May be assessed as real estate

# Used Equipment

- **First placed in service in Maine after 4/1/95**
  - **Not eligible if purchased by current owner post- 4/1/95 but first placed in service in Maine pre- 4/2/95**
  - **Eligible if placed in service outside Maine pre- 4/2/95 but first placed in service in Maine post- 4/1/95**
- **Eligible if purchased from owner who first placed property in service in Maine post- 4/1/95**

# Who Qualifies?

- **Most businesses in Maine**
  - **Manufacturers**
  - **Retail/Wholesale**
  - **Service**
- **Party assessed entitled to reimbursement**

# Who Does NOT Qualify?

- **Public utilities**
- **Providers of radio paging services**
- **Providers of mobile telecommunications services**
- **Cable television companies**
- **Providers of satellite-based direct television broadcast services**
- **Providers of multichannel, multipoint television distribution services**

# What Does NOT Qualify

- **Land**
- **Buildings**
- **Normal land improvements - parking lots, fencing, etc.**
- **Certain attachments**
  - **Components or attachments to buildings if primarily used to serve the building as a building**
  - **E.g., normal building plumbing v. process piping**
- **Registered vehicles and watercraft on which excise tax has been assessed and paid**

# **Not Eligible But Some Grandfathered**

- **Office furniture including without limitation tables, chairs, desks, bookcases, filing cabinets and modular office partitions (April 1, 1996 property grandfathered)**
- **Lamps and lighting fixtures (April 1, 1996 property grandfathered)**

# “Big Box Retail”

- **Not eligible - property located in a retail sales facility exceeding 100,000 sq. ft. of interior customer selling space and used primarily in a retail sales activity**
  - **But eligible if the facility is owned by a business whose Maine-based operation derives less than 50% of its total annual revenue on a calendar-year basis from sales that are subject to Maine sales tax**
- **Applies to property tax years beginning after 4/1/06 (first assessed 4/1/2007 or after)**
- **Property that qualified for the 2006 property tax year is grandfathered**

# Other Not Eligible

- *E.g.*
  - **Certain gas pipelines**
  - **Certain generating facilities and transmission properties**
  - **Certain gambling equipment**

# **2 Step Reimbursement Process**

- 1. File Assessor Notice & Equipment List (Form 801) with local assessor**
- 2. File reimbursement claim with Maine Revenue (Form 800)**

# **Assessor Notification (Form 801; Standard MRS Form)**

- **File notice with local Assessor**
  - **Listing eligible property; state of origin if used; no. years claimed; date placed in service; original costs**
  - **Assessor fills in assessed value; tax rate; assessed tax and signs**

# **Filing Reimbursement Claim with Maine Revenue (Form 800)**

- **File Form 800 between August 1 and December 31**
- **Covers taxes paid in prior calendar year**

## **Filing BETR Claim With Maine Revenue**

- **Completed original Form 800**
- **Completed Form 801 filled out and signed by local assessor**
- **Tax receipt or cancelled check**
- **Property tax bill**
- **BETR payment within 90 days of filing claim**

# **Timely Filing Required / Extensions**

- **Claim barred if not timely filed**
- **State Tax Assessor may extend Form 800 filing deadline for up to 60 days**
- **Taxpayer must show “good cause”**

**BETE**

# BETE Exemption

- **100% property tax exemption for “eligible property” first subject to tax in Maine on or after 4/1/08**
- **No time limit on length of exemption**
- **With some exceptions, uses same definitions of “eligible property” and applies to same types of property and companies as does BETR**

# Exemption – Filing Procedures - The Report

- By April 1 each year – file report with local Assessor identifying the exempt property
- Report must be on form prescribed or approved by State Tax Assessor and must be available to taxpayers before 4/1 each year
- Report must be filed by April 1 each year even if there's no change

# **Exemption – Filing Procedures - The Report**

- **Automatic Extension to 5/1 if 4/1 deadline not met**
- **On written request local Assessor can extend 5/1 filing deadline**
- **Property disqualified from exemption for any year in which the report is not timely filed**

# **What is Eligible Business Equipment?**

**Qualified property that, in the absence of this subchapter, would first be subject to assessment under this Part on or after April 1, 2008 and includes:**

- **Repair parts**
- **Replacement parts**
- **Replacement equipment**
- **Additions**
- **Accessions and accessories to other business property**
- **Inventory parts**

# Who does NOT Qualify?

## Property Owned or Used by an Excluded Person:

- A Public Utility
- A person that provides radio Paging Service
- A person that provided mobile telecommunications services
- A cable television company
- A person that provides satellite-based direct television broadcast services
- A person that provides multichannel, multipoint television distribution services

# What does NOT Qualify?

- Office furniture
- Lamps and lighting fixtures used primarily for general office or worker lighting
- Property owned or used by an excluded person
- Telecommunications personal property
- Gambling machines or devices
- Property located at a retail sales facility and used primarily in a retail sales activity

# Major Difference from BETR: Retail

- Exemption does not apply to property located at a retail sales facility and used primarily in a retail sales activity
  - This exception applies to both sales of goods and services
  - And is not limited to “big box” as is BETR
- BETR applies to these items if otherwise eligible for BETR

# Retail Sales Facility

- **A structure used to serve customers who are:**
  - **physically present at the facility**
  - **for the purpose of selecting and purchasing goods or services at retail or for renting tangible personal property**
- **Does not include a separate structure that is used as a warehouse or call center facility**

# Retail Sales Activity

- **An activity associated with the selection and purchase of goods or services or the rental of tangible personal property**
- **Does not include production, *i.e.*, manufacturing / processing**

# Denials

- **What if local Assessor denies exemption for piece of equipment?**
- **Statute has procedure to contest denial**

# **Standard Reimbursement to Municipalities (Property Tax Years)**

- **2008**                      **100% of lost tax revenue**
- **2009**                      **90% of lost tax revenue**
- **2010**                      **80% of lost tax revenue**
- **2011**                      **70% of lost tax revenue**
- **2012**                      **60% of lost tax revenue**
- **2013**                      **50% of lost tax revenue**
- **and later**

# **Alternative Reimbursement to Municipalities**

- **Applies if business equipment (both taxable and exempt) exceeds 5% of town's total value of all taxable property plus the value of exempt business equipment**
- **Reimbursement % = 50% plus  $\frac{1}{2}$  of the percentage that business equipment (both taxable and exempt) represents of the town's total value of all taxable property plus the value of exempt business equipment**

# Example of Alternative Reimbursement

- If value of business equipment (both exempt and taxable) equals 40% of the town's total value of all taxable property plus the value of exempt business equipment
- The municipal reimbursement would be:

$$50\% + \frac{1}{2} \text{ of } 40\% = 70\%$$

# **Tax Increment Financing ("TIF")**

- **TIF does not apply to exempt business equipment (4/1/08) because not taxable**
- **Business equipment currently in BETR or entering BETR by April 1, 2007**
  - **BETR and TIF continue to apply with no cap on usage for first 12 years**
  - **Starting year 13, BETR and TIF apply but capped at 100% - BETR reduced to extent BETR and TIF exceed 100%**
  - **100% BETR / TIF cap also applies to non-exempt retail equipment entering BETR on or after 4/1/08**