

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

STATUTORY REVIEW OF PROPERTY TAX EXEMPTIONS

CONTAINED IN 36 M.R.S.A. PART 2

Report of a Study by the  
JOINT STANDING COMMITTEE ON TAXATION

to the

111th Maine Legislature

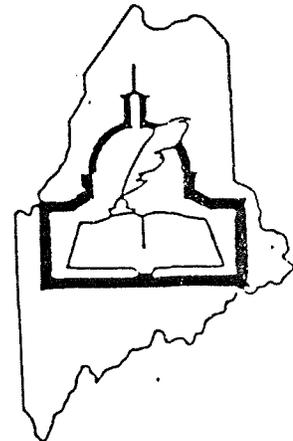
March, 1984

Committee Members:

Sen. Frank P. Wood (Chair)  
Sen. R. Donald Twitchell  
Sen. Thomas M. Teague  
Rep. H. Craig Higgins (Chair)  
Rep. Edward J. Kane  
Rep. Thomas A. Kilcoyne  
Rep. Richard McCollister  
Rep. Thomas E. Andrews  
Rep. John A. Cashman  
Rep. John E. Masterman  
Rep. Russell R. Day  
Rep. Gennette M. Ingraham  
Rep. Philip C. Jackson

Staff:

Julie S. Jones, Legislative Counsel  
Office of Legislative Assistants  
Room 101 State House--Sta 13  
Augusta, Maine 04333  
(207) 289-2486



## TABLE OF CONTENTS

	page
SUMMARY	ii
Introduction	1
Review of Individual Exemptions	2
Property Tax Relief	6
Recommendations	8
Report of Senator Wood	10
Report of Representative Jackson	14

## APPENDICES

A. Exemptions	15
B. Legislation proposed by full Committee	49
C. Legislation proposed by Sen. Wood	52
D. Legislation proposed by Rep. Jackson	55

## SUMMARY

Title I, Maine Revised Statutes Annotated chapter 31 provides that the "property tax exemptions contained in Title 36, Part 2, shall be reviewed..." by the Joint Standing Committee on Taxation. This report contains the results of that review.

The Committee reviewed each of the specified exemptions. A public hearing was held on November 10, 1983. The Committee identified the property tax as a significant burden on local tax payers, but a majority preferred to address property tax relief through methods other than adjustment to property tax exemptions. The Committee recommended repeal of one exemption - for commercial watercraft - because those watercraft are now exempt under a new exemption covering all watercraft. No other changes were recommended.

The Committee also recommended that the Bureau of Taxation obtain more useful information through the municipal valuation return form in future years and recommended minor changes in the statutes providing for this study to make future studies more manageable.

A minority report of the Committee offered by Senator Frank Wood recommended a constitutional amendment to permit municipalities to tax certain categories of "exempt" property at 25% of just value. This report also recommended legislation to bar exemption for organizations which discriminate on the basis of race, sex, religion, national origin or handicap. However, it would not bar exemption for churches or religious schools which discriminate solely on the basis of religion.

A minority report of Representative Philip Jackson recommended a constitutional amendment which would require the Legislature to reimburse municipalities for 50% of the cost of new state mandated programs which require an increase in the local property tax.

Appendices to the report contain the findings of the review of individual exemptions and the recommended legislation.

## Introduction

Property tax exemptions have existed from the very beginning of Maine's statehood. In fact, some exemptions currently embodied in Maine law antedate Maine's statehood, with origins reaching beyond Massachusetts colonial ordinances back into English common law.

Under various provisions of the Constitution of Maine, property tax exemptions may only be enacted by the Legislature, Brewer Brick Co. v. Brewer, 62 Me 62 (1873). Although the Legislature may delegate to subdivisions, such as municipalities and counties, the right to tax property within the municipality to pay for municipal expenses, the exemption decision must remain at the state level because property must be treated equally statewide. It may not be exempt in one municipality and taxed in another without violating the Constitution of Maine, Article IX, Section 8.

When the decision is made by the Legislature to exempt property from taxation, the primary purpose is to grant a benefit to the persons or organizations who previously paid the tax. The secondary effect of an exemption is to remove that property from the tax base of the municipality where it is located and, thereby, increase the tax burden on the remaining taxpayers in the municipality.

In recent years the Legislature has come to recognize the importance of the impact of property tax exemptions on municipal tax bases. In 1978 a constitutional amendment,

Article IV, Part 3, Section 23, was proposed and approved which requires the Legislature to reimburse municipalities from State tax sources for 50% of the property tax revenue loss resulting from new property tax exemptions. In 1983, this provision was amended to allow greater than 50% reimbursement. Also in 1983, \$500,000 was appropriated to provide some reimbursement to municipalities for State-owned property.

Nevertheless, property tax exemptions do remain a significant problem for many municipalities. In Brunswick and Orono, more than half of all the property value in town is exempt. In Portland the value of exempt property in 1982 exceeded \$1.3 billion. Meanwhile the arguments rage regarding whether the benefits provided a municipality by a tax exempt organization compensate for the amount of taxes lost, whether tax exempt organizations actually require many municipal services and whether non-residential beneficiaries of an exempt organization should be required to pay some of the cost.

#### Review of Individual Exemptions

Title 1 Maine Revised Statutes Annotated chapter 31 provides that the "property tax exemptions contained in Title 36, Part 2, shall be reviewed by January 1, 1984..." by the legislative committee having jurisdiction over the provision. Pursuant to chapter 31, the Joint Standing Committee on Taxation submits this report and the accompanying legislation which is due by the 30th legislative day of the second regular session of the Legislature.

Prior to this most recent review of property tax exemptions, the Taxation Committee of the 109th Legislature,

pursuant to chapter 31 as it then existed, reviewed and reported on the property tax exemptions contained in Title 36, sections 652 and 656. That report, dated February 28, 1979, on pages 3 through 8, contains a comprehensive discussion of the general background of property tax exemptions in Maine and the policy arguments supporting or opposing property tax exemptions in general. The Committee sees no need to repeat that discussion here.

The Committee met several times during the fall of 1983 to review the subject of this study. As required by chapter 31, a public hearing was held on November 10, 1983 to provide an opportunity for public comment on the property tax exemptions under review. The hearing was sparsely attended. Representatives testified on behalf of the paper industry, the Roman Catholic Diocese of Portland, Maine Municipal Association and the cities of Portland, Auburn, Bangor and Hallowell. The testimony supported exemptions for pollution control facilities, churches, schools and charitable institutions. The municipal representatives testified regarding the burden of providing municipal services to tax exempt institutions and spoke of attempts which appear, with some exceptions, largely unproductive to obtain voluntary payments in lieu of taxes from tax exempt organizations.

Title MRSA chapter 31 requires the report of the committee to contain the following information:

- A. An evaluation of the past effectiveness of the statutory provision;
- B. An evaluation of the future need for the statutory provision;
- C. An examination of alternative methods of attaining the purpose of the provision;
- D. An estimate of the cost of retaining the provision;
- E. An evaluation of the economic impact of the exemption on the State or community;
- F. A determination of which groups or individuals are assisted by the exemption and their approximate number; and
- G. A recommendation of the committee as to the amendment, repeal, replacement or retention of the provision. If amendment or repeal is recommended, the report shall include the necessary legislation.

The Committee has reorganized these provisions for more orderly flow. Each exemption is followed by the required information organized as follows:

1. Purpose
2. Groups
3. Estimate of cost
4. Economic impact
5. Past effectiveness
6. Future need

7. Alternative methods

8. Recommendation.

In most cases, the estimate of cost is based upon information contained in Municipal Valuation Return Statistical Data 1982 prepared by the property tax division of the Bureau of Taxation. Any other basis is noted in the Appendix. That source aggregates information provided by municipalities which are required to report the value of most property tax exemptions. The cost estimate was developed by adding the statewide total of exempt property covered by the report to the total statewide taxable valuation and dividing by the total statewide tax commitment to determine an average statewide mill rate (15.1 mills) which would be required if no property was exempt. That rate is then multiplied times the total statewide value for each category of exempt property to determine the estimated cost. The estimate would be somewhat higher if the exemption of only one category of property was contemplated. The estimates are also somewhat low because the average statewide mill rate has been used. Most tax exempt property is located in municipalities with tax rates higher than the statewide average. Therefore, the potential revenue if exempt property was taxed in the municipalities where it is located would probably be somewhat higher.

The Committee has experienced considerable difficulty in placing an estimate upon the cost of the personal property exempted in Title 36, section 655. Neither the Bureau of Taxation nor municipalities collect information regarding this category of property. Any estimates included are based upon information accumulated by the Bureau.

The previous report of the Committee regarding property tax exemptions discussed the exemptions contained in sections 652 and 656. Interested persons are referred to that report for more in-depth information than this report contains.

The review of individual exemptions is contained in Appendix A of this report.

### Property Tax Relief

The taxation of property to support the costs of government dates back to medieval times. As currently applied, the ad valorem tax on real and personal property is probably the most criticized tax in existence today. Criticism of the tax in the 1960's resulted in the equalization of assessment ratios and property tax relief mechanisms such as homestead exemptions and circuit breakers. Anti-property tax activity in the 1970's centered more around tax limitation measures such as the much-renowned Proposition 13 in California and Proposition 2 1/2 in Massachusetts.

In Maine, in the 1970's, the property tax relief movement centered around the issue of tax exempt property. A 1975 report of the Bureau of Public Administration, Division of Research and Public Services, University of Maine at Orono, Institutional Property Tax Exemptions in Maine brought to the attention of State policy makers the concept of service charges to tax exempt organizations to pay for such services as police, fire, roads, snow removal and other relevant services. Service charges were examined by the Taxation Committee of the 109th Legislature, and its report on property tax exemptions examined the issue of service charges. The minority report of that study recommended that a mechanism be established to permit municipalities to charge fees to tax exempt organizations for

municipal services. Since that time several bills have been introduced to provide for municipal service charges. None have been enacted. In the process, questions have been raised regarding the practicality and constitutionality of service fee mechanisms.

In 1982, the Report of the Maine Municipal Association's Special Task Force on Property Tax Relief described the property tax as "regressive, unequitable and becoming a burden to more and more property owners." That report reached the following conclusions

1. The burden of property taxes in Maine is higher than the national average.
2. Maine local governments are much more reliant on property taxes for local revenues than the national average.
3. The property tax in Maine is one of the most regressive in the nation.
4. Maine municipalities are facing increasing demands, with only one way to raise significant amounts of revenue - raise the property tax.

The Taxation Committee recognizes that tax exempt properties impose a severe burden on some municipalities. The Committee will have before it several bills this session which have an impact on the question of property tax relief. The majority of the Committee believes that property tax relief is best addressed through other mechanisms and does not recommend any legislation pursuant to this study to remedy this problem.

## Recommendations

In order to facilitate the next Committee review of property tax exemptions, the Committee recommends that the State Tax Assessor take the following actions

1. At the time of making the 1984 municipal valuation return form available to municipalities the State Tax Assessor should include an explanation of the categories for itemizing real property exemptions. It appears from the 1982 Municipal Valuation Return Statistical Data that there is a lack of uniformity in reporting in some categories. The most obvious is in the category of "public property." It can be assumed that all municipalities own some public property that should be listed under this category (town office, fire barn, school, etc.). However, a survey of the information report indicates that at least 25% of municipalities report no value for exempt public property. While it is possible that this information might be accurate for an occasional very small municipality, the list of municipalities indicating no value for exempt public property include such larger cities and towns as Mechanic Falls, Cape Elizabeth, South Portland, Hallowell, Lincoln, Millinocket, Old Town, Milo, Eastport, Rumford, Brewer, Kennebunkport and Ogunquit. It is unclear whether these municipalities have included exempt public property under another category or whether it has not been included at all. This information is important if a determination is to be made regarding the total cost of this exemption. It is also vital in making comparisons among municipalities regarding the relative burden of the public property exemption.

2. The State Tax Assessor should advise the town of Fort Kent that it should no longer be exempting fallout shelters. The property tax

exemption for fallout shelters was repealed in 1979.

3. The State Tax Assessor should identify the same information with regard to the unorganized territory as is available through the municipal valuation return forms. Although some of the information is currently available, exemptions have not been classified in a manner that permits tabulation of the degree of information that is available for municipalities.

4. The State Tax Assessor should examine the categories of personal property identified as exempt in Title 36, Section 655 and propose an appropriate method for determining the cost of those exemptions in lost municipal revenue.

5. The Committee also recommends that 1 MRSA chapter 31 requiring this and other studies be amended to facilitate a more useful and effective review of statutory provisions. This chapter, originally enacted in 1977, has been amended to provide for statutory review of provisions other than sales and property tax exemptions. This enlargement of scope has resulted in some confusion as to the applicability of some portions of sections 2602 and 2603 which is resolved by the proposed amendment. In addition, the Committee believes that once a comprehensive review of sales and property tax exemptions has been completed, successive reports need only contain information which updates prior reports or deals with changes in circumstances or legislative recommendations from prior reports. A repetition of information of a general background nature is unnecessary. The recommended changes are contained in Appendix B.

## MINORITY REPORTS

### Report of Senator Frank P. Wood

In addition to the recommendations contained in the majority report, legislation is introduced which addresses the following issues:

#### 1. Percentage Taxation Approach

The attempt to permit municipalities to elect to impose service fees has proved to be both practically cumbersome and constitutionally risky. Another alternative would be to permit municipalities to tax exempt property at a percentage of just value. This alternative would recognize that tax exempt organizations do receive some services from a municipality and would establish a uniform rate which would avoid the difficulties of determining the actual cost of services such as police and fire protection, snow removal, etc. It also recognizes that the municipality, in most instances, does receive some benefit from the existence of the exempt organization.

This recommendation must be authorized by the Maine Constitution before it can be implemented; therefore, a Constitutional Amendment is proposed which would permit municipalities to tax some currently exempt properties at 25% of just value. Included in this new treatment would be charitable and benevolent institutions, property of the State of Maine, literary and scientific institutions other than schools, chambers of commerce and boards of trade, fraternal

organizations and property leased for a non-profit hospital, health maintenance organization or blood bank.

This approach has the following advantages. It eliminates any questions as to constitutional validity. It provides for uniform statewide treatment of "tax exempt" property and ensures that the municipality receives some revenues in return for services provided to tax exempt properties. While 25% valuation may not, in many instances, produce the exact cost of services to a particular property, the same can be said of 100% valuation. As long as property taxation remains the principal source of municipal revenue, taxpayers will rarely, if ever, be in a position of paying for exactly what they receive. Reduced taxation of "exempt" property will ensure that the burden of municipal services to the property are at least partly shared by the non-resident beneficiaries or users of the property.

The one disadvantage of this alternative is that it requires municipalities to value "exempt" property. However, most tax exempt property is located in municipalities with professional assessors; the increased revenue will compensate for the increased work, and municipalities are currently supposed to be valuing those properties for purposes of the state valuation form which must be filed annually with the State Tax Assessor.

## 2. Anti-discrimination policy.

During the course of Committee discussion on this study, the question arose whether the State may constitutionally

authorize exemptions to organizations which discriminate contrary to public policy. Several federal courts have considered this question of whether states may grant property tax exemptions to organizations which discriminate on the basis of race. Several have ruled that such exemptions violate the Equal Protection Clause of the United States Constitution. Falkenstein v. Dept. of Revenue, 350 F.Supp. 887 (D.C. Ore. 1972), appeal dismissed 409 U.S. 1094 (1972); Pitts v. Dept. of Revenue, 333 F.Supp. 662 (D.C. Wisc 1971).

Recently, the United States Supreme Court considered the question of whether income tax exemptions for racially discriminatory private schools are permissible. Bob Jones University v. U. S., \_\_\_ U.S. \_\_\_ (1983). In the Bob Jones case the Court sidestepped the issue of constitutionality and ruled that such exemptions could not be permitted because the term "charitable", as used in the Internal Revenue Code could not apply to organizations which violate settled public policy by discriminating on the basis of race.

It has long been the position of the State of Maine that discrimination on the basis of race, religion or national origin is contrary to public policy. Disapproval of discrimination on the basis of sex or handicap, although more recent in origin, has been determined to be of equal importance. This report recommends that the State should not participate in such discrimination by granting property tax exemptions to organizations which practice such discrimination in membership or in the classes of people who are eligible to receive the services of the organization.

Legislation is attached in Appendix C which would provide for the recommended Constitutional Amendment and for the prohibition of exemptions for organizations which discriminate on the basis of race, sex, religion, national origin or handicap.

Report of Representative Philip C. Jackson

This minority report concludes, as a result of this study that the erosion of the municipal tax base which has resulted from State-granted property tax exemptions should be addressed by providing that future State enacted demands on municipal revenues must be funded at least 50% by the State. This recommendation must take the form of a Constitutional Amendment in order to be binding upon future Legislatures. This recommendation is intended to inhibit the tendency of the Legislature to enact programs which increase the burden upon the local property tax by requiring additional municipal expenditures.

Legislation to implement this recommendation is attached as Appendix D

APPENDIX A

SUBCHAPTER IV

EXEMPTIONS

§651. Public property

The following public property is exempt from taxation:

1. Public property.

1. The property of the United States so far as the taxation of such property is prohibited under the Constitution and laws of the United States.

1. Purpose. Property of the United States is exempt from property taxation by the State and its subdivisions because of the requirements of the United States Constitution. McCullough v. Maryland, 4 Wheaton 316, 4 L. Ed. 579 (1819).

2. Groups or individuals assisted. Individuals assisted are federal taxpayers.

3. Cost of retaining the provision. The cost of retaining this provision is approximately \$15,000,000.

4. Economic Impact. This exemption shifts the cost of services provided to federal property to municipal taxpayers.

5. Past Effectiveness. This exemption has been effective.

6. Future Need. The United States Constitution requires this exemption.

7. Alternative methods. None.

8. Recommendation. Retain.

B. The property of the State of Maine. Notwithstanding Title 23, section 314, subsection 1, paragraph N or any other provision of law, that property of the Maine Turnpike Authority primarily used for gasoline filling stations, service and repair stations and restaurants shall be subject to property taxes.

1. Purpose. In Maine, municipalities are instrumentalities of the State. In theory, permitting municipalities to tax state property would amount to the state taxing itself. In practice, one level of government does not want to be taxed by another and, after many years of exemption, a tax on state property would be quite a burden on state revenue sources. According to the Municipal Valuation Return Statistical Data report prepared by the Bureau of Taxation, the total value of exempt state property in 1982 is \$429,869,957. Multiplied by the average statewide mill rate of 17.75 mills, the state would owe more than \$7.6 million in property tax statewide.

2. Groups and individuals assisted. Persons assisted by this exemption are payers of state taxes who are not required to raise the funds that would be necessary to pay local property taxes on state owned property.

3. Cost of retaining this provision. It is estimated that local communities lose approximately \$7.6 million as a result of this exemption. State taxpayers benefit by the same amount.

4. Economic impact. The effect of this exemption is to shift a portion of the costs of state government to local property taxpayers in those municipalities where state property is located.

5. Past Effectiveness. This exemption has effectively accomplished its purpose.

6. Future need. The need for this exemption will continue into the foreseeable future. Recent state actions have lessened the burden of this exemption. The 1st Regular Session of the 111th Legislature appropriated

\$500,000 for payments to municipalities in which state owned buildings are located. Although this provision does not cover the full cost of state owned property, it is a step forward in recognizing municipal difficulties.

7. Alternative methods. The Committee sees no alternative methods for accomplishing the purpose of this exemption.

8. Recommendations. Retain.

B-1. Real estate owned by the Water Resources Board of the State of New Hampshire and used for the preservation of recreational facilities in this state.

C. All property which by the Articles of Separation is exempt from taxation.

1. Purpose. The Articles of Separation from Massachusetts require that certain property remain exempt from property taxation. This exemption covers land belonging to Massachusetts at the time of separation and which has continued to be owned by that state and land granted by Massachusetts to any religious, literary or eleemosynary corporation or society and still owned by the corporation or society.

2. Groups or Individuals assisted. It is unlikely that any land continues to qualify for this exemption.

3. Cost of retaining the provision. None.

4. Economic impact. None.

5. Past Effectiveness. This exemption accomplished its purpose.

6. Future Need. The Constitution of Maine requires retention of this exemption.

7. Alternative methods. None.

8. Recommendations. Retain.

D. The property of any public municipal corporation of this State appropriated to public uses, if located within the corporate limits and confines of such public municipal corporation.

1. Purpose. If municipal property was taxable, the cost would be paid by the same taxpayers who pay for the exemption. This exemption avoids the need to value municipal property and the accompanying paperwork.

2. Groups or Individuals assisted. Municipal assessors.

3. Cost of retaining the provision. None.

4. Economic impact. None.

5. Past Effectiveness. This exemption has accomplished its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

E. The pipes, fixtures, hydrants, conduits, gatehouses, pumping stations, reservoirs and dams, used only for reservoir purposes, of public municipal corporations engaged in supplying water, power or light, if located outside of the limits of the public municipal corporation.

1. Purpose. The purpose of this exemption is to reduce the costs of public water, power or light districts.

2. Groups or Individuals assisted. Ratepayers of such districts.

3. Cost of retaining the provision. \$880,000.

4. Economic impact. This exemption shifts the property tax costs of these districts from the ratepayers to the property taxpayers in the municipality where the property is located.

5. Past Effectiveness. This exemption has accomplished its purpose.

6. Future Need. Same.

7. Alternative methods. Direct State grant to such districts.

8. Recommendations. Retain.

F. All airports and landing fields and the structures erected thereon or contained therein of public municipal corporations whether located within or without the limits of such public municipal corporations. Any structures or land contained within such airport not used for airport or aeronautical purposes shall not be entitled to this exemption. Any public municipal corporation which is required to pay taxes to another such corporation under this paragraph with respect to any airport or landing field shall be reimbursed by the county wherein the airport is situated.

1. Purpose. The purpose of this exemption is to reduce the costs of public airports.

2. Groups or Individuals assisted. Taxpayers in municipalities with public airports and users of those airports.

3. Cost of retaining the provision. \$2,100,000.

4. Economic impact. This exemption shifts some of the costs of

public airports to taxpayers of municipalities where the property is located.

5. Past Effectiveness. This exemption has accomplished its purpose.
6. Future Need. Same.
7. Alternative methods. Direct State grants.
8. Recommendations. Retain.

G. The pipes, fixtures, conduits, buildings, pumping stations and other facilities of a public municipal corporation used for sewage disposal, if located outside the limits of such public municipal corporation.

1. Purpose. Same as paragraph E
2. Groups or Individuals assisted. Same, as paragraph E
3. Cost of retaining the provision. \$550,000.
4. Economic impact. Same as paraagraph E.
5. Past Effectiveness. Same as paraagraph E.
6. Future Need. Same as paraagraph E.
7. Alternative methods. Same as paraagraph E.
8. Recommendations. Retain.

§652. Property of institutions and organizations

The following property of institutions and organizations is exempt from taxation:

1. Property of institutions and organizations.

A. The real estate and personal property owned and occupied or used solely for their own purposes by benevolent and charitable institutions incorporated by this State, and none of these shall be deprived of the right of exemption by reason of the source from which its funds are derived or by reason of limitation in the classes of persons for whose benefit such funds are applied.

(1) Any such institution which is in fact conducted or operated principally for the benefit of persons who are not residents of Maine shall be entitled to an exemption not to exceed \$50,000 of current just value only when the total amount of any stipends or charges which it makes or takes during any tax year, as defined by section 502, for its services, benefits or advantages divided by the total number of persons receiving such services, benefits or advantages during the same tax year does not result in an average rate in excess of \$30 per week when said weekly rate is computed by dividing the average yearly charge per person by the total number of weeks in a tax year during which such institution is in fact conducted or operated principally for the benefit of persons who are not residents of Maine. No such institution which is in fact conducted or operated principally for the benefit of persons who are not residents of Maine and makes charges which result in an average weekly rate per person, as computed under this subparagraph, in excess of \$30 shall be entitled to tax exemption. This subparagraph shall not apply to institutions incorporated as nonprofit corporations for the sole purpose of conducting medical research.

1. Purpose. The purpose of this exemption is to recognize the important service that these organizations provide to society. It is based upon the assumption that the services provided would need to be provided by government if the organizations did not exist. It also recognizes that if taxes were paid, it would reduce the amount of services available.

2. Groups or Individuals assisted. Groups and individuals assisted include members of the exempt organizations and persons in need of the services provided.

3. Cost of retaining the provision. \$3,050,000.

4. Economic impact. This exemption furthers benevolent and

charitable activities.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. Alternative methods include direct government grants to these organizations.

8. Recommendations. Retain.

B. The real estate and personal property owned and occupied or used solely for their own purposes by literary and scientific institutions. If any building or part of a building is used primarily for employee housing, that building, or that part of the building used for employee housing, shall not be exempt from taxation.

1. Purpose. The purpose of this exemption is to recognize that educational institutions serve a public purpose which might otherwise need to be funded by the public through taxes.

2. Groups or Individuals assisted. Private schools, libraries, museums, research organizations, agricultural fair associations, educational or literary associations and their members or persons using their facilities.

3. Cost of retaining the provision. \$7,770,000.

4. Economic impact. This exemption reduces the cost of private educational institutions etc. at the expense of the community where located.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. Direct grants.

8. Recommendations. Retain.

C. Further conditions to the right of exemption under paragraph A and B are that:

(1) Any corporation claiming exemption under paragraph A shall be organized and conducted exclusively for benevolent and charitable purposes;

(2) No director, trustee, officer or employee of any organization claiming exemption shall receive directly or indirectly any pecuniary profit from the operation thereof, excepting reasonable compensation for services in effecting its purposes or as a proper beneficiary of its strictly benevolent or charitable purposes; and that

(3) All profits derived from the operation thereof and the proceeds from the sale of its property are devoted exclusively to the purposes for which it is organized; and that

(4) The institution, organization or corporation claiming exemption under this subsection shall file with the tax assessors upon their request a report for its preceding fiscal year in such detail as the tax assessors may reasonably require;

(5) No exemption shall be allowed under this subsection in favor of an agricultural fair association holding pari-mutuel racing meets unless it has qualified the next preceding year as a recipient of the "Stipend Fund" provided in Title 7, section 62.

D. Repealed.

E. The real estate and personal property owned and occupied by posts of the American Legion, Veterans of Foreign Wars, American Veterans of World War II, Grand Army of the Republic, Spanish War Veterans, Disabled American Veterans and Navy Clubs of the U.S.A., which shall be used solely by those organizations for meetings, ceremonials or instruction, including all facilities appurtenant to such use and used in connection therewith. If any building shall not be used in its entirety for those purposes, but shall be used in part for those purposes and in part for any other purpose, exemption shall only be of the part used for those purposes.

Further conditions to the right of exemption are that:

(1) No director, trustee, officer or employee of any organization claiming exemption shall receive directly or indirectly any pecuniary profit from the operation thereof, excepting reasonable compensation for services in effecting its purposes or as a proper beneficiary of its purposes;

(2) All profits derived from the operation thereof and the proceeds from the sale of its property are devoted exclusively to the purposes for which it is organized; and

(3) The institution, organization or corporation claiming exemption under this subsection shall file with the tax assessors

upon their request a report for its preceding fiscal year in such detail as the tax assessors may reasonably require.

1. Purpose. The purpose of this exemption is to recognize that veterans have provided an invaluable service to the United States. The exemption applies only the portions of facilities used solely for meetings, ceremonials or instruction.

2. Groups or Individuals assisted. American Legion, Veterans of Foreign Wars, American Veterans of World War II, Grand Army of the Republic, Spanish War Veterans, Disabled American Veterans, Navy Clubs of the U.S.A.

3. Cost of retaining the provision. \$162,000.

4. Economic impact. This exemption enhances the viability of the organizations benefited.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. Direct grant.

8. Recommendations. Retain.

F. The real estate and personal property owned and occupied or used solely for their own purposes by chambers of commerce or boards of trade in this State.

Further conditions to the right of exemption are that:

(1) No director, trustee, officer or employee of any organization claiming exemption shall receive directly or indirectly any pecuniary profit from the operation thereof, excepting reasonable compensation for services in effecting its purposes or as a proper beneficiary of its purposes;

(2) All profits derived from the operation thereof and the proceeds from the sale of its property are devoted exclusively to the purposes for which it is organized; and

(3) The institution, organization or corporation claiming exemption under this subsection shall file with the tax assessors upon their request a report for its preceding fiscal year in such

detail as the tax assessors may reasonably require.

1. Purpose. This exemption benefits these organizations of businesses. It includes only property which is used solely for their own purposes.

2. Groups or Individuals assisted. Exempt business organizations and the communities they serve.

3. Cost of retaining the provision. \$26,000.

4. Economic impact. The exemption enhances the viability of the organizations benefited.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

G. Houses of religious worship, including vestries, and the pews and furniture within the same; tombs and rights of burial; and property owned and used by a religious society as a parsonage to the value of \$20,000, and personal property not exceeding \$6,000 in value, but so much of any parsonage as is rented is liable to taxation. For purposes of the tax exemption provided by this paragraph a parsonage shall mean the principal residence provided by a religious society for its clergyman whether or not located within the same municipality or place as the house of religious worship where the clergyman regularly conducts religious services.

1. Purpose. The purpose of this exemption is to further the concept of minimizing state involvement in religion. The argument has been made that this exemption is constitutionally required.

2. Groups or Individuals assisted. Persons who benefit from religious activities.

3. Cost of retaining the provision. \$4,125,000.

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in

accomplishing its purpose.

6. Future Need. Same.
7. Alternative methods. None.
8. Recommendations. Retain.

H. Real estate and personal property owned by or held in trust for fraternal organizations, except college fraternities, operating under the lodge system which shall be used solely by fraternal organizations for meetings, ceremonials, religious or moralistic instruction, including all facilities appurtenant to such use and used in connection therewith. If any buildings shall not be used in its entirety for such purposes, but shall be used in part for such purposes and in part for any other purpose, exemption shall be of the part used for such purposes.

Further conditions to the right of exemption are that:

(1) No director, trustee, officer or employee of any organization claiming exemption shall receive directly or indirectly any pecuniary profit from the operation thereof, excepting reasonable compensation for services in effecting its purposes or as a proper beneficiary of its purposes;

(2) All profits derived from the operation thereof and the proceeds from the sale of its property are devoted exclusively to the purposes for which it is organized; and

(3) The institution, organization or corporation claiming exemption under this subsection shall file with the tax assessors upon their request a report for its preceding fiscal year in such detail as the tax assessors may reasonably require.

1. Purpose. The purpose of this exemption is to provide a benefit to fraternal organizations which frequently perform a semi-religious charitable function.

2. Groups or Individuals assisted. Members of the fraternal organizations and any persons they benefit.

3. Cost of retaining the provision. \$418,000.

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.
7. Alternative methods. None.
8. Recommendations. Retain.

J. The real and personal property owned by one or more of the foregoing organizations and occupied or used solely for their own purposes by one or more other such organizations.

K. The real and personal property leased by and occupied or used solely for its own purposes by an incorporated benevolent and charitable organization which is exempt from taxation under section 501 of the Internal Revenue Code of 1954, as amended, and the primary purpose of which is the operation of a hospital licensed by the Department of Health and Welfare, health maintenance organization or blood bank.

1. Purpose. The purpose of this exemption is to recognize the services provided to the public by hospitals and blood banks operating on leased property on the theory that the taxes on the property would be paid by those organizations as part of the lease.

2. Groups or Individuals assisted. Hospitals and blood banks leasing property. There are currently no health maintenance organizations in the state of Maine.

3. Cost of retaining the provision. \$2,330,000

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.
7. Alternative methods. None.
8. Recommendations. Retain.

§653. Estates of veterans

The following estates of veterans are exempt from taxation:

1. Estate of veterans

A. B. Repealed.

C. The estates up to the just value of \$4,000, having a taxable situs in the place of residence, of veterans who served in the Armed Forces of the United States during any federally recognized war period, including the Korean Campaign and the Viet Nam War, when they shall have reached the age of 62 years or when they are receiving any form of pension or compensation from the United States Government for total disability, service-connected or nonservice-connected, as a veteran. The exemption provided in this paragraph shall apply to the property of such veteran including property held in joint tenancy with his or her spouse.

C-1. The estates up to the just value of \$5,000 for the 1978 tax year, and \$6,000 for each tax year thereafter, having a taxable situs in the place of residence of veterans who served in the Armed Forces of the United States during any federally recognized war period during or before World War I and who would be eligible for an exemption under paragraph C.

The exemption provided in this paragraph shall be in lieu of any exemption under paragraph C to which the veteran may be eligible and shall apply to the property of such veteran, including property held in joint tenancy with his or her spouse.

D. The estates up to the just value of \$4,000, having a taxable situs in the place of residence, of the unremarried widow or minor child of any veteran who would be entitled to such exemption if living, or who is in receipt of a pension or compensation from the Federal Government as the widow or minor child of a veteran.

The estates up to the just value of \$4,000, having a taxable situs in the place of residence, of the mother of a deceased veteran who is 62 years of age or older and is an unremarried widow who is in receipt of a pension or compensation from the Federal Government based upon the service-connected death of her son:

D-1. The estates up to the just value of \$40,000, having a taxable situs in the place of residence, for specially adapted housing units, of veterans who served in the Armed Forces of the United States during any federally recognized war period and who are paraplegic veterans, so called, within the meaning of the U.S. Code, Title 38, chapter 21, section 801, and who received a grant from the United States Government for such specially adapted housing, or of the unremarried widows of such veterans. The exemption provided in this paragraph shall apply to the property of such veteran including property held in joint tenancy with his or her spouse.

D-2. The estates up to the just value of \$5,000 for the 1978 tax

year, and \$6,000 for each tax year thereafter, having a taxable situs in the place of residence of the unremarried widow or minor child of any veteran who would be entitled to an exemption under paragraph C-1, if living, or who is in receipt of a pension or compensation from the Federal Government as the widow or minor child of a veteran, and who is the unremarried widow or minor child of a veteran who served during any federally recognized war period during or before World War I.

The exemption provided in this paragraph shall be in lieu of any exemption under paragraph D to which the person may be eligible.

D-3. The estates up to the just value of \$5,000 for the 1978 tax year, and \$6,000 for each tax year thereafter, having a taxable situs in the place of residence of the mother of a deceased veteran who is 62 years of age or older and is an unremarried widow who is in receipt of a pension or compensation from the Federal Government based upon the service-connected death of her son and who is receiving the pension or compensation from the Federal Government based upon the service-connected death of her son during any federally recognized war period during or before World War I.

The exemption provided in this paragraph shall be in lieu of any exemption under paragraph D to which the person may be eligible.

E. The word "veteran" as used in this subsection shall mean any person, male or female, who was in active service in the Armed Forces of the United States during any federally recognized war period or the Korean Campaign or the Viet Nam War; and who, if discharged, retired or separated from the armed forces, was discharged, retired or separated under other than dishonorable conditions. A veteran of the Viet Nam War shall have served on active duty for a period of more than 180 days, any part of which occurred after August 4, 1964 and before May 7, 1975, except that if he died in service or was discharged for a service-connected disability after such date. The "Viet Nam War" shall mean that period between August 5, 1964 and May 7, 1975;

F. To be eligible for exemption under this subsection:

(1), (2). Repealed

(3) No exemption may be granted to any person under this subsection unless such person is a resident of this State; and

(4) Notwithstanding any other provisions of this paragraph, prior to April 1, 1982, any person claiming an exemption under paragraph C who is receiving any form of pension or compensation from the Federal Government for total disability, service-connected or nonservice-connected, as a veteran, and any person claiming an exemption under paragraph C-2, D, D-1, D-2 or D-3 shall not be required to meet the standards specified in subparagraphs (1) and (2). Any such person who received an exemption in 1980 shall not be required to reapply in 1981. Exemptions granted under this section which are reimbursable pursuant to section 661 shall not be considered eligible for reimbursement under paragraph H. Any person whose

exemption is reimbursable under section 661 shall, for 1981, be entitled to an extension until May 1, 1981, for filing a written application and written proof of entitlement for exemption with the assessors of the place in which the person resides, notwithstanding the provisions of paragraph G.

G. Any person who desires to secure exemption under this subsection shall make written application and file written proof of entitlement on or before the first day of April, in the year in which the exemption is first requested, with the assessors of the place in which the person resides. The assessors shall thereafter grant such exemption to any person while he is so qualified and continues a resident of that place or until they are notified of reason or desire for discontinuance.

H. Any municipality granting exemptions under this subsection shall have a valid claim against the State to recover 90% of the taxes lost by reason of such exemptions as exceeds 3% of the total local tax levy, upon proof of the facts in form satisfactory to the Commissioner of Finance and Administration. Such claims shall be presented to the Legislature next convening.

I. No property conveyed to any person for the purpose of obtaining exemption from taxation under this subsection shall be so exempt, excepting property conveyed between husband and wife, and the obtaining of such exemption by means of fraudulent conveyance shall be punished by a fine of not less than \$100 and not more than 2 times the amount of the taxes evaded by such fraudulent conveyance whichever amount is greater.

J. No person shall be entitled to property tax exemption under more than one paragraph of this subsection.

K. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return to the State Tax Assessor.

A. Purpose. The purpose of this section is to provide a benefit to disabled veterans or veterans who have reached the age of 62 and their widows, mothers and minor children because of their service on behalf of the United States.

B. Groups or Individuals assisted. Veterans, their widows, mothers and minor children.

C. Cost of retaining the provision. \$1,800,000.

D. Economic impact. This exemption benefits disabled veterans and veterans who have reached the age of 62 and their families and may permit

some older persons to be able to remain in their homes and avoid institutionalization.

E. Past Effectiveness. This exemption has been more effective in the past when it covered a larger percentage of the just value of a residence.

F. Future Need. Same.

G. Alternative methods. Direct State grants.

H. Recommendations. Retain.

§654. Estates of certain persons

The estates of the following persons are exempt from taxation:

1. Estates of certain persons.

A through D. Repealed

E. The estates up to the value of \$3,500 of all persons determined to be blind within the definition provided by Title 22, chapter 959, who are receiving aid under that chapter. The residential real estate up to the value of \$4,000 of inhabitants of Maine who are legally blind as determined by the Department of Human Services. No person shall be entitled to property tax exemption under more than one paragraph of this subsection.

A. Purpose. The purpose of this exemption is to provide a benefit to blind persons.

B. Groups or Individuals assisted. Eligible blind persons.

C. Cost of retaining the provision. \$32,300.

D. Economic impact. This exemption assists blind persons.

E. Past Effectiveness. The exemption has accomplished its purpose.

F. Future Need. Same.

G. Alternative methods. Direct State Grants.

H. Recommendations. Retain.

E. No property conveyed to any person for the purpose of obtaining exemption from taxation under paragraph E shall be so exempt, and the obtaining of such exemption by means of fraudulent conveyance shall be punished by a fine of not less than \$100 and not more than 2 times the amount of taxes evaded by such fraudulent conveyance, whichever amount is greater. In case any person entitled

to such exemption has property taxable in more than one place in the State, such proportion of such total exemption shall be made in each place as the value of the property taxable in such place bears to the value of the whole of the property of such person taxable in the State.

\$655. Personal property

The following personal property is exempt from taxation:

1. Personal property

A. Industrial inventories including raw materials, goods in process and finished work on hand;

1. Purpose. The purpose of this exemption is to remove from taxation business property used or produced through manufacturing on the theory that a property tax would inhibit manufacturing activities.

2. Groups or Individuals assisted. Owners of the exempt property.

3. Cost of retaining the provision. According to estimates provided by the Bureau of Taxation regarding the total valuation of personal property exempt under paragraphs A through D, the total cost of those four paragraphs would be \$30, 773,956.

4. Economic impact. This exemption, common in other states, keeps Maine's property tax burden on business competitive with other states.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

B. Stock in trade, including inventory held for resale by a distributor, wholesaler, retail merchant or service establishment;

1. Purpose. Same as paragraph A.

2. Groups or Individuals assisted. Same as paragraph A.

3. Cost of retaining the provision. See cost estimate under paragraph A.

4. Economic impact. Same as paragraph A.

5. Past Effectiveness. Same as paragraph A.

6. Future Need. Same as paragraph A.
7. Alternative methods. Same as paragraph A.
8. Recommendations. Retain.

C. Agricultural produce and forest products, including logs, pulpwood, woodchips and lumber;

1. Purpose. Same as paragraph A.
2. Groups or Individuals assisted. Same as paragraph A.
3. Cost of retaining the provision. See cost estimate under

paragraph

4. Economic impact. Same as paragraph A.
5. Past Effectiveness. Same as paragraph A.
6. Future Need. Same as paragraph A.
7. Alternative methods. Same as paragraph A.
8. Recommendations. Retain.

D. Livestock, including farm animals, neat, cattle and fowl;

1. Purpose. This paragraph provides an exemption for the live version of paragraphs A & B.

2. Groups or Individuals assisted. Farmers.
3. Cost of retaining the provision. See cost estimate under

paragraph A.

4. Economic impact. Same as A.
5. Past Effectiveness. Same as A.
6. Future Need. Same as A.
7. Alternative methods. None.
8. Recommendations. Retain.

E. The household furniture, including television sets and musical instruments of each person in any one household; and his wearing

apparel, farming utensils and mechanical tools necessary for his business;

1. Purpose. The purpose of this provision is to exempt from taxation household belongings, and farming and business tools. Such property would ordinarily be difficult to find and value

2. Groups or Individuals assisted. Everyone.

3. Cost of retaining the provision. \$17,536,290.

4. Economic impact. Persons with valuable furniture benefit more than others.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

F. All radium used in the practice of medicine;

1. Purpose. The purpose of this exemption is to reduce the cost of medical treatment involving radium.

2. Groups or Individuals assisted. Persons or organizations paying for medical treatment involving radium.

3. Cost of retaining the provision. Unknown; however, the Bureau of Health does not believe that there are any substantial quantities of radium remaining in use in Maine for medical purposes.

4. Economic impact. Keeps down the cost of insurance and medical treatment.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

G. Property in the possession of a common carrier while in interstate transportation or held en route awaiting further transportation to the destination named in a through bill of lading;

1. Purpose. The purpose of this provision is to avoid potential constitutional problems relating to interference with interstate commerce.

2. Groups or Individuals assisted. Persons transporting property in interstate commerce.

3. Cost of retaining the provision. The value of the property exempted in paragraphs G through J is conservatively estimated by the Bureau of Taxation to total \$267,000,000 or a tax loss of \$4,739,250 using the average state mill rate.

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

H. Vessels built, in the process of construction, or undergoing repairs, which are within the State on the first day of each April and are owned by persons residing out of the State. "Vessels" as used in this paragraph shall not be construed to include pleasure vessels and boats;

1. Purpose. The purpose of this exemption is to prevent taxation of vessels being built or serviced in Maine but which do not really have any relationship with Maine justifying taxation.

2. Groups or Individuals assisted. Owners of the boats and resident business which build or repair boats.

3. Cost of retaining the provision. See cost estimate under

paragraph G.

4. Economic impact. The exemption lessens the cost of construction or repair of vessels in Maine.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

I. Pleasure vessels and boats in the State on the first day of each April whose owners reside out of the State, and which are left in this State by the owners for the purpose of repair or storage, except those regularly kept in the State during the preceding year;

1. Purpose. Same as paragraph H.

2. Groups or Individuals assisted. Beneficiaries include boatyards which store such boats.

3. Cost of retaining the provision. See cost estimate under paragraph G.

4. Economic impact. Same as paragraph H.

5. Past Effectiveness. Same as paragraph H.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

J. Personal property in another state or country and legally taxed there;

1. Purpose. The purpose of this provision is to exempt property which is located and taxed in another state and country.

2. Groups or Individuals assisted. Persons owning such property.

3. Cost of retaining the provision. See cost estimate under paragraph G.

4. Economic impact. Unknown.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

K. Vehicles exempt from excise tax in accordance with section 1483:

1. Purpose. This provision is the result of the replacement of the property tax on vehicles with an excise tax which is easier to administer.

2. Groups or Individuals assisted. Municipal assessors and owners of motor vehicles.

3. Cost of retaining the provision. \$1,070,520.

4. Economic impact. The excise tax is much more difficult to evade than a property tax.

5. Past Effectiveness. This exemption has accomplished its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

L. Registered snowmobiles as defined in title 12, section 1971.

1. Purpose. The purpose of this exemption is to subject snowmobiles to a uniform registration fee rather than a value based property tax.

2. Groups or Individuals assisted. Owners of snowmobiles and municipal assessors.

3. Cost of retaining the provision. \$1,911,959.

4. Economic impact. The excise tax is more difficult to evade than a property tax.

5. Past Effectiveness. This exemption has been effective in

accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain. The reference to Title 12, section 1971 should be changed to section 7824 because section 1971 has been repealed.

M. All farm machinery used exclusively in production of hay and field crops to the aggregate actual market value not exceeding \$10,000, excluding motor vehicles. Motor vehicle shall mean any self-propelled vehicle.

1. Purpose. The purpose of this provision is to exempt certain machinery used for agricultural production.

2. Groups or Individuals assisted. Farmers.

3. Cost of retaining the provision. \$1,243,032.

4. Economic impact. Assists farmers with hay and field crops.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

N. Water pollution control facilities and air pollution control facilities as defined in section 656, subsection 1, paragraph E.

1. Purpose. The purpose of this exemption is to provide some benefit for businesses which are required by law or which choose to install facilities to improve to quality of air and water emissions.

2. Groups or Individuals assisted. Business with pollution control facilities.

3. Cost of retaining the provision. Some of this cost may be reported under section 656, subsection 1, paragraph E.

4. Economic impact. This exemption may permit or encourage some pollution control facilities which exceed legally required standards because there is no tax cost for those facilities.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

O. All beehives:

1. Purpose. The purpose of this exemption is to avoid unnecessarily antagonizing the residents of the exempt property.

2. Groups or Individuals assisted. Owners of beehives.

3. Cost of retaining the provision. \$13,313.

4. Economic impact. This exemption especially benefits persons producing honey or providing pollinization services.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

P. All items of individually owned personal property with a just value of less than \$1,000, except:

(1) Items used for industrial or commercial purposes;

(2) Vehicles and camp trailers as defined in section 1481 not subject to an excise tax; and

(3) All watercraft not subject to an excise tax.

1. Purpose. The purpose of this provision is to exempt items of

personal property personally owned and which are not camp trailers or vehicles from having to be located and valued by municipal assessors. Subparagraph (3) was repealed March 1, 1984.

2. Groups or Individuals assisted. Persons owning such property.

3. Cost of retaining the provision. The cost is minimal because most such property would not be taxed anyway.

4. Economic impact. Minimal.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

Q. All commercial fishing vessels subject to the excise tax imposed under chapter 109-A.

1. Purpose. The purpose of this exemption was to replace the property tax on commercial fishing vessels with an excise tax to avoid the departure from the State of the commercial fishing fleet.

2. Groups or Individuals assisted. Commercial fishing enterprises.

3. Cost of retaining the provision. \$646,100. Now incorporated in paragraph R.

4. Economic impact. Prevented the departure of positions of the fishing fleet from the State.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. This exemption is no longer necessary because of paragraph R exempting all watercraft.

7. Alternative methods. None.

8. Recommendations. Repeal.

R. All watercraft, including motors, electronic and mechanical equipment and other machinery, whether or not the motors, electronic and mechanical equipment and other machinery are permanently or temporarily attached, and customarily used in the operation of the watercraft. "Watercraft" does not include a vessel, boat or craft located and intended to be permanently docked in one location and not used as a means of transportation on water.

1. Purpose. The purpose of this exemption is to replace the property tax on watercraft with an excise tax which is easier to administer and uniform for all boats and which reduces the tax on commercial vessels to be more competitive with other commercial fishing states.

2. Groups or Individuals assisted. Municipal officials and boat owners.

3. Cost of retaining the provision. \$1,754,177.

4. Economic impact. This exemption will remove the incentive to "locate" boats elsewhere to avoid the property tax.

5. Past Effectiveness. This is a new exemption.

6. Future Need. The need for this exemption will continue in the future.

7. Alternative methods. None.

8. Recommendations. Retain.

S. Mining property as provided in section 2854.

1. Purpose. The purpose of this provision is to replace the property tax on mining property with an excise tax. No property qualifies for this exemption until the commencement of mining as defined in section 2854.

2. Groups or Individuals assisted. Mining companies.

3. Cost of retaining the provision. No property has yet qualified for this exemption.

4. Economic impact. This exemption, along with section 656, sub-

section 1, paragraph B and the mining excise tax encourages mining.

5. Past Effectiveness. Uncertain.
6. Future Need. Same.
7. Alternative methods. None.
8. Recommendations. Retain.

§656. Real estate

The following real estate is exempt from taxation:

1. Real estate.

A. The aqueducts, pipes and conduits of any corporation supplying a municipality with water are exempt from taxation, when such municipality takes water therefrom for the extinguishment of fires without charge.

1. Purpose. The purpose of this exemption is to recognize the governmental service provided by the owners of such property.

2. Groups or Individuals assisted. Owners of the property and residents of the municipality.

3. Cost of retaining the provision. \$570,000.

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

B. Naturally occurring metallic minerals.

1. Purpose. The purpose of this exemption is to recognize that minerals in the ground are difficult to value. This exemption is part of the overall scheme of the mining excise tax which provides for the taxation of minerals when removed from the ground.

2. Groups or Individuals assisted. Owners of land containing minerals and mining companies.

3. Cost of retaining the provision. The Bureau of Taxation has not estimated the cost of this new exemption.

4. Economic impact. This exemption encourages mining.
5. Past Effectiveness. This is a new exemption.
6. Future Need. There will continue to be a need for this exemption.
7. Alternative methods. None.
8. Recommendations. Retain.

C. The landing area of a privately owned airport, the use of which is approved by the Maine Aeronautics Commission, shall be exempt from taxation when the owner grants free use of that landing area to the public.

1. Purpose. The purpose of this exemption is to recognize the public benefit of private airports which are open to the public.

2. Groups or Individuals assisted. Owners of the airports and members of the public who use them.

3. Cost of retaining the provision. \$4,500.

4. Economic impact.

5. Past Effectiveness. This exemption has been effective in accomplishing its purpose.

6. Future Need. Same.

7. Alternative methods. None.

8. Recommendations. Retain.

D. Repealed

E. Pollution control facilities.

(1) Water pollution control facilities having a capacity to handle at least 4,000 gallons of waste per day, certified as such by the Environmental Improvement Commission, and all parts and accessories thereof. As used in this paragraph:

(a) "Facility" means any disposal system or any treatment works, appliance, equipment, machinery, installation or structure installed, acquired or placed in operation primarily for the purpose of reducing, controlling or eliminating water pollution caused by industrial, commercial or domestic waste.

(b) "Disposal system" means any system used primarily for disposing of or isolating industrial, commercial or domestic waste and includes thickeners, incinerators, pipelines or conduits, pumping stations, force mains and all other constructions, devices, appurtenances and facilities used for collecting or conducting water borne industrial, commercial or domestic waste to a point of disposal, treatment or isolation, except that which is necessary to the manufacture of products.

(c) "Industrial waste" means any liquid, gaseous or solid waste substance capable of polluting the waters of the State and resulting from any process, or the development of any process, of industry or manufacture.

(d) "Treatment works" means any plant, pumping station, reservoir or other works used primarily for the purpose of treating, stabilizing, isolating or holding industrial, commercial or domestic waste.

(e) "Commercial waste" means any liquid, gaseous or solid waste substance capable of polluting the waters of the State and resulting from any activity which is primarily commercial in nature.

(f) "Domestic waste" means any liquid, gaseous or solid waste substance capable of polluting the waters of the State and resulting from any activity which is primarily domestic in nature.

(2) Air pollution control facilities, certified as such by the Environmental Improvement Commission, and all parts and accessories thereof.

As used in this paragraph:

(a) "Facility" means any appliance, equipment, machinery, installation or structures installed, acquired or placed in operation primarily for the purpose of reducing, controlling, eliminating or disposing of industrial pollutants.

Facilities such as air conditioners, dust collectors, fans and similar facilities designed, constructed or installed solely for the benefit of the person for whom installed or the personnel of such person shall not be deemed air pollution control facilities.

1. Purpose. Same as section 655, subsection 1, paragraph N.
2. Groups or Individuals assisted. Same.
3. Cost of retaining the provision. \$2,051,172.
4. Economic impact. Same.

5. Past Effectiveness. Same.
6. Future Need. Same.
7. Alternative methods. Same.
8. Recommendations. Retain.

F. G. Repealed

H. All solar energy equipment, as hereinafter defined, which is used as either a primary or auxiliary power system for the purpose of water heating or space heating shall be exempt for a period of 5 years from the date of installation of the system. Any person who wishes to claim this exemption shall file with his local tax assessor or board of assessors written application claiming the exemption in a manner prescribed by the assessor or board of assessors. An application for exemption from property taxation shall be filed within 30 days following the annual assessment date of that municipality.

As used in this paragraph:

(1) "Solar energy equipment" means all controls, tanks, pumps, heat exchangers, collectors and all other equipment necessary for the collection, transfer and storage of solar energy. Such equipment shall be used directly and exclusively for the conversion of solar energy for purposes of water heating and space heating and cooling and does not include walls, roof or equipment that would ordinarily be contained in a similar structure not designed or modified to use solar energy for these same purposes.

This paragraph shall remain in effect until January 1, 1983.

1. Purpose. This provision exempted certain solar energy equipment for a period of 5 years from installation.
2. Groups or Individuals assisted. Persons installing solar energy equipment.
3. Cost of retaining the provision. \$9,300.
4. Economic impact. This exemption was intended to encourage solar energy to reduce dependence on oil.
5. Past Effectiveness. This exemption has been effective in accomplishing its objectives.
6. Future Need. The benefits of solar energy have been sufficiently demonstrated that this exemption is no longer needed.

7. Alternative methods. None.

8. Recommendations. This exemption expired January 1, 1983; however, it should remain on the books until 1988 when all exemptions will have terminated.

I. Mining property as provided in section 2854.

1. Purpose. Same as paragraph B.

2. Groups or Individuals assisted. Same as paragraph B.

3. Cost of retaining the provision. Same as paragraph B.

4. Economic impact. Same as paragraph B.

5. Past Effectiveness. Same as paragraph B.

6. Future Need. Same as paragraph B.

7. Alternative methods. Same as paragraph B.

8. Recommendations. Retain.

APPENDIX B

AN ACT to Revise the Procedure Relating to the Review of Property Tax Exemptions and to Amend Certain Laws Relating to Property Tax Exemptions.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 1 M.R.S.A. §2603 is repealed and the following inserted in its place:

§2603. Contents of report

1. Report. The report prepared as a result of the review required by section 2601, subsections 1 and 2 shall include:

- A. A description of the purpose of the exemption;
- B. A determination of the groups or individuals which benefit from the exemption;
- C. An evaluation of the past effectiveness of the provision;
- D. An evaluation of the future need for the exemption;
- E. An estimate of the cost of retaining the provision;
- F. A recommendation of the Committee as to the amendment, repeal, replacement or retention of the exemption.
- G. Any other recommendation of the Committee relating to the provisions subject to review.

The Committee may choose to include in its report only the information, with regard to the provisions reviewed, which has changed since the previous report.

2. Legislation. The report shall contain any legislation which is necessary to accomplish its recommendations.

3. The committee preparing this report shall devote at least part of one public hearing to the provision being reviewed prior to making its report.

Sec. 2. 36 MRSA §654, sub-§ 1, ¶E, is amended as follows:

E. The estates up to the just value of \$3,500 of all persons determined to be blind within the definition provided by Title 22, chapter 959, who are receiving aid under that chapter. The residential real estate up to the just value of \$4,000 of inhabitants of Maine who are legally blind as determined by the Department of Human Services. No person shall be entitled to property tax exemption under more than one paragraph of this subsection.

Sec. 3. 36 M.R.S.A. §655, sub-§ 1, ¶Q, is repealed.

Sec. 4. 36 M.R.S.A. §656, sub-§ 1, ¶ C is amended as follows;

C. The landing area of a privately owned airport, the use of which is approved by the Maine Aeronautics Commission Bureau of Aeronautics, shall be exempt from taxation when the owner grants free use of that landing area to the public.

Sec. 5. 36 M.R.S.A. § 656, sub-§ 1, ¶ E, sub-paragraph (1), first sentence is amended as follows:

(1) Water pollution control facilities having a capacity to handle at least 4,000 gallons of waste per day, certified as such by the Environmental Improvement

Commission Board of Environment Protection, and all parts and accessories thereof.

Sec. 6. 36 M.R.S.A. § 656, sub-§ 1, ¶ E, sub-paragraph (2), first sentence is amended as follows:

(2) Air pollution control facilities, certified as such by the Environmental Improvement Commission Board of Environmental Protection, and all parts and accessories thereof.

APPENDIX C

RESOLUTION, Proposing an Amendment to the Constitution of Maine to Provide that Municipalities May Choose to Tax Certain Property Which has been Exempt at a Percentage of Just Value.

Constitutional amendment. RESOLVED: Two-thirds of each branch of the Legislature concurring, that the following amendment to the Constitution of Maine be proposed:

Constitution, Article IX, §8, sub-§4 is enacted to read:

4. Municipalities may choose to tax certain classes of property which were exempt from taxation on April 1, 1978 at twenty-five percent of just value. Classes of property eligible for taxation under this subsection include property of the State of Maine, property of benevolent and charitable institutions, property of literary and scientific institutions but not including institutions whose primary purpose is providing an organized educational curriculum, property of chambers of commerce or boards of trade, property of fraternal organizations and property leased and used by an incorporated benevolent and charitable organization which is exempt from taxation under section 501 of the Internal Revenue Code of 1954 and the primary purpose of which is the operation of a hospital licensed by the Department of Human services, health maintenance organization or blood bank.

Constitutional referendum procedure; form of question; effective date. Resolved: That the city aldermen, town

selectmen and plantation assessors of this State shall notify the inhabitants of their respective cities , towns and plantations to meet, in the manner prescribed by law for holding a statewide election, at a statewide election, on the Tuesday following the first Monday in November following the passage of this resolution, to vote upon the ratification of the amendment proposed in this resolution by voting upon the following question:

"Shall the Constitution of Maine be amended.to provide that municipalities may choose to tax certain classes of property which was exempt from property tax on April 1, 1978 at twenty-five percent of just value?

The legal voters of each city town and plantation shall vote by ballot on this question, and shall designate their choice by a cross or check mark placed within the corresponding square below the word "Yes" or "No." The ballots shall be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns and, if it appears that a majority of the legal votes are in favor of the amendment, The Governor shall proclaim that fact without delay and the amendment shall become part of the Constitution on the date of the proclamation.

Secretary of State shall prepare ballots. Resolved:  
That the Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this resolution necessary to carry out the purposes of this referendum.

AN ACT to Strengthen the Public Policy Against Invidious  
Discrimination.

Be it enacted by the People of the State of Maine as follows"

36 MRSA §652, sub-§ 1, para. M is enacted to read:

M. The exemptions provided in paragraphs A through F  
and H through K shall not be allowed to individuals or  
organizations which discriminate on the basis of race,  
sex, religion, national origin or handicap; however,  
exemptions for educational institutions operated by  
religious organizations shall not be barred soley  
because they discriminate on the basis of religion.

STATEMENT OF FACT

This bill provides that certain organizations which are entitled to a property tax exemption may not be entitled to the exemption if they discriminate on the basis of race, sex, national origin or handicap. It would not bar exemptions for churches or for church run schools which discriminate solely on the basis of religion. Although federal courts are divided, some federal courts have held that states may not constitutionally permit property tax exemptions for organizations which discriminate contrary to established public policy. This bill would ensure that the State is not participating in invidious discrimination by granting property tax exemptions to organizations which violate establish public policy.

RESOLUTION, Proposing an Amendment to the Constitution of Maine to Relieve Municipalities from the Loss of Tax Base Caused by Property Tax Exemptions by Requiring that the State Pay at Least 50% of the Cost of any New State Mandated Programs....

Constitutional amendment. RESOLVED: Two-thirds of each branch of the Legislature concurring, that the following amendment to the Constitution of Maine be proposed:

Constitution, Article IV, Part 3, Section 24 is enacted to read:

Section 24. The Legislature may not enact any new program after January 1, 1985 which requires an increase in the local property tax without providing that the State shall pay at least 50% of the cost of the program.

Constitutional referendum procedure; form of question; effective date. Resolved: That the city aldermen, town selectmen and plantation assessors of this State shall notify the inhabitants of their respective cities , towns and plantations to meet, in the manner prescribed by law for holding a statewide election, at a statewide election, on the Tuesday following the first Monday in November following the passage of this resolution, to vote upon the ratification of the amendment proposed in this resolution by voting upon the following question:

"Shall the Constitution of Maine be amended to provide that the Legislature may not enact any new program which requires an increase in the local property tax without providing that the State shall pay for at least fifty percent of the cost?"

The legal voters of each city town and plantation shall vote by ballot on this question, and shall designate their choice by a cross or check mark placed within the corresponding square below the word "Yes" or "No." The ballots shall be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns and, if it appears that a majority of the legal votes are in favor of the amendment, The Governor shall proclaim that fact without delay and the amendment shall become part of the Constitution on the date of the proclamation.

Secretary of State shall prepare ballots. Resolved:  
That the Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this resolution necessary to carry out the purposes of this referendum.

#### STATEMENT OF FACT

This Amendment provides that the Legislature may not enact any new program which requires an increase in the local property tax without providing that the State will pay at least fifty percent of the cost.