

MAINE STATE LEGISLATURE

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STATE OF MAINE
113TH LEGISLATURE

REPORT OF
THE JOINT STANDING COMMITTEE
on
TAXATION

REGARDING
TAX EXPENDITURE REVIEW
PROPERTY TAX EXEMPTIONS
December 1987

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Title 1 MRSA, Section 2601 et. seq. requires the Joint Standing Committee on Taxation to review the property tax exemptions contained in 36 MRSA, Sections 651-656 inclusive by January 1, 1984 and every 4 years thereafter. As part of the review, the Committee must hold a public hearing and then issue a report, together with any necessary implementing legislation. While the statute requires certain specific information to be included in the report, it also allows the Committee to include only the information which has changed since the previous report. To a large extent, these changes only involve updating the estimated cost of maintaining the statutory exemption because the Committee has rarely chosen to make any significant change in existing laws. Such is the case this year, with one exception, which will be discussed later in the report.

The following is a list of the property tax exemptions that are subject to review this year. The cost estimates were derived by multiplying the estimated exempt property valuation in each category, as compiled in the 1986 Municipal Valuation Return Statistical Summary published by the Bureau of Taxation, by the average state mill rate for that year of 0.0171. The estimates do not include figures for the unorganized territory.

PROPERTY TAX EXEMPTION REVIEW
ESTIMATED COST OF EXEMPTIONS IN 1986

A.	<u>\$651 Public Property</u>	<u>Cost</u>
	1. U.S. Property	\$ 22,998,523
	2. State of Maine	8,785,583
	3. N.H. Water Resource Board	2,569
	4. Articles of Separation	-
	5. Public Municipal Corporations	19,621,127
	6. Public Water	952,265
	7. Public Airports	2,437,975
	8. Public Sewage Facility	<u>608,912</u>
	Total	\$ 55,406,955
B.	<u>\$652 Institutions & Organizations</u>	<u>Cost</u>
	9. Charitable, Benevolent	\$ 5,360,521
	10. Literary, Scientific	10,598,324
	11. Veterans' Service Clubs	222,555
	12. Ch. of Com. & Brds. of Trade	63,204
	13. Churches, Parsonages	5,862,207
	14. Fraternal Organizations	749,118
	15. Hospitals, HMOs, Blood Banks	<u>3,197,820</u>
	Total	\$ 26,053,748
C.	<u>\$653 Veterans</u>	<u>Cost</u>
	16. Veterans	\$ 2,412,053
D.	<u>\$654 Certain Persons</u>	<u>Cost</u>
	17. Blind	\$ 41,129

E. §655 Personal Property

(The Bureau of Taxation provided estimates for these exemptions.)

18. Industrial Inventories	\$ 46,233,723
19. Stock in Trade	(incl. in 18)
20. Agricultural and Forest Products	6,003,928
21. Livestock	1,575,350
22. Household Furniture, Tools of Trade	23,914,800
23. Radium	negligible
24. Property in Possession of Common Carrier	4,680,000
25. Commercial Vessels Owned by Nonresidents	1,818,648
26. Pleasure Vessels Owned by Nonresidents	(incl. in 25)
27. Property Taxed in another State	?
28. Vehicles Ex. from Mot. Veh. Excise Tax	1,284,000
29. Snowmobiles	794,411
30. Farm Machinery up to \$10,000	1,216,800
31. Water and Air Pollution Control Fac.	2,471,222
32. Beehives	21,840
33. Items with Value of Less than \$1,000	7,971,600
34. Mining Property	<u>0</u>
Total	\$ 97,986,322

F. §656 Estate

	<u>Cost</u>
35. Public Water Supply	\$ 770,301
36. Mines	--
37. Pollution Control	2,708,840
38. Private Airports	5,512
39. Solar Energy	5,497
40. Mining Property	<u>--</u>
Total	\$ 3,490,151
GRAND TOTAL	\$ 185,390,358

A public hearing was held on Thursday, October 8, 1987 to solicit and hear testimony regarding the above exemptions. The only issue to generate any interest whatsoever was a proposal being considered by the Committee that would reimburse municipalities for 50% of the taxable value of State-owned exempt property. Much written and oral testimony was presented in favor of such a proposal and the Committee continued discussion of the matter in subsequent work sessions. Based on the cost estimate provided above (State of Maine property - \$8,785,583), the cost of this proposal would be at least \$4.4 million and by the time it was implemented, if accepted by the full Legislature, the cost would approach \$4.5 million.

The Committee recognizes that such a recommendation is expensive. However, it also realizes that property tax relief is vital to the continued economic growth and development of the State. Even with a 50% reimbursement, most cities and towns will provide more in services to State-owned facilities than they receive from this proposal. Yet these towns recognize that any assistance received, from any source, to lower the mill rate is extremely important and very beneficial. Given the [REDACTED] continued collection of State revenues exceeding budgeted amounts, we believe that local property tax relief is not only

possible, it is mandatory. Therefore, the Committee recommends that municipalities be reimbursed for 50% of the taxable value of State owned property. This would not include property owned and operated by quasi-independent agencies such as the University of Maine System, the VTI system, the Maine Turnpike Authority, etc. Proposed legislation to implement the recommendation is included as Appendix A.

For all of the other exemptions subject to review at this time, the Committee finds that the purpose, the groups benefitting, the effectiveness, the future need and the cost of retaining them has not changed enough to warrant repeal or replacement. Therefore, the Committee recommends that the exemptions provided for in 36 MRSA, Sections 651-656 be retained.

APPENDIX A

SECOND REGULAR SESSION
ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No.

H.P. House of Representatives, December 1987
Referenced to the Committee on Taxation suggested and
ordered printed.

Presented by the Committee on Taxation pursuant to 1 MRSA §2601
et. seq.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-SEVEN

AN Act to Amend Property Tax Exemptions

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

Sec. 1 36 MRSA, §651, Paragraph B is amended to read:

B. The property of the State of Maine/, except that the State shall reimburse any municipality in which such property exists for 50% of the property tax revenue lost as a result of this exemption. "Property of the State of Maine" shall not include property of the University of Maine System, the Vocational Technical Institute System or any quasi-independent agency of the State.

FISCAL NOTE

Based on 1986 figures, the cost of the exemption from taxation of State of Maine Property as defined by this bill was \$8.8 million. Therefore, the estimated cost of this legislation is \$4.5 million for FY89.

STATEMENT OF FACT

This bill would reimburse municipalities for 50% of the property tax revenue lost due to the exemption of State property from the local property tax.