

# MAINE STATE LEGISLATURE

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N I N E T Y - T H I R D   L E G I S L A T U R E

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**Legislative Document**

**No. 672**

H. P. 1097

House of Representatives, February 12, 1947.

Referred to Committee on Taxation. Sent up for concurrence and ordered printed.

HARVEY R. PEASE, Clerk.

Presented by Mr. Chase of Cape Elizabeth.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
FORTY-SEVEN

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**RESOLVE, Relating to Revision of Property Tax Laws.**

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**Revision of property tax laws. Resolved:** That the state bureau of taxation be, and hereby is, instructed to prepare for and present to the 94th legislature a bill designed to effect a revision of property tax laws, based upon and embodying the following principles, which are hereby declared to be the general purpose and intent of the 93rd legislature for the direction of such revision:

**AS TO GENERAL CONSIDERATIONS**

1. The bill shall conform to existing constitutional provisions relating to taxation and to rights of property.
2. The amount of money estimated to be raised by taxation on real estate shall not greatly exceed the amount now being raised from that source by cities and towns for their own use.
3. The valuation of real property and of tangible personal property shall be increased substantially to a higher level approaching just value, and the rate of taxation shall be reduced in proportion.
4. Intangible personal property shall be exempted from the general property tax, and a new method for its taxation, based upon net worth,

derived income, or otherwise, shall be proposed, if such a tax is not already in force.

5. Exemptions now legally in force shall be deemed in accordance with public policy. A revised list of exemptions shall be proposed, in order to avoid the taxation of values in intangible personal property which would be taxed by this state as values in real estate and tangible personal property.

### AS TO REAL ESTATE

6. The bill shall fix a minimum valuation on real estate for the entire state, subdivided into minimum valuations by counties, and it shall provide that the state bureau of taxation shall fix the valuation of cities, towns and townships and shall have power later to adjust and correct the same, subject however to the limitation of the minimum county valuation established by the law.

7. The bill shall require that all timberlands, whether in organized cities and towns or in unorganized townships, shall be valued upon the same basis as to grade and quality of land and growth, giving due weight to accessibility, and its design shall be to establish as a long term objective the principle of valuation on the basis of land alone according to its productive capacity in forest growth.

8. Similarly, provision shall be made for the application of quality standards in the valuation of waste lands, pasture lands, arable lands and other classifications, based on potential productive capacity when put to best use, and for the valuation of residential land at fair market value.

9. The bill shall contain formulae for the valuation of buildings and structures assigning certain weight to replacement value and to market value, including standards for estimate of replacement value based on age, condition, cubic content and other factors pertinent to the determination of fair value; and such formulae and standards shall be designed to reflect in the classification of taxation units the policy of taxing according to the prospect for growth, prosperity, and ability to pay.

10. The bill shall prescribe a rate of taxation on real estate which shall be uniform for the entire state, and that taxes on real property in the organized cities and towns shall be collected by and paid to such cities and towns, and that taxes on real property in the unorganized townships shall be collected by and paid to the state.

**AS TO TANGIBLE PERSONAL PROPERTY**

11. The bill shall provide that cities and towns shall have the right to tax all tangible personal property owned by their residents and located usually within the state, except that such property located outside of the town of residence and destined for consumption or use elsewhere may be exempted from taxation in the town of residence by agreement between the owner and the town of location, or by agreement between the owner and the state if the location is in the unorganized townships.

12. The bill shall require the state bureau of taxation to prescribe and define limits of valuation of tangible personal property by enumeration of commonly owned items.

13. The bill shall provide that the rate of taxation of tangible personal property shall be fixed by the cities and towns, and that a general exemption shall be granted on clothing, household furniture, food, fuel and other domestic articles and commodities necessary for living and owned for use up to a value of \$500 for each adult and \$200 for each child.

**AS TO INTANGIBLE PERSONAL PROPERTY**

14. The bill shall provide for the taxation by the state of all intangible personal property, such as securities and other rights and credits, on the basis of net worth as determined after deducting from assets all property, real and personal, otherwise taxed by state or town and after also deducting all debts and taxes due. Further exemptions shall be granted to stocks of corporations conducting their principal business in Maine, and to stocks of railroads, insurance companies, telephone companies and of other companies whose property or business in Maine is already taxed under existing law. Other exemptions of rights and credits now granted under existing law shall be reviewed and adjustments recommended to conform to the principle that the ownership of property located in Maine shall be taxed by Maine only once.

15. The bill shall provide that the valuation of intangible personal property shall be based upon average market value over a period of years, and that established valuations on bonds, stocks, and other rights and credits believed to be owned by more than 50 taxpayers shall be determined and published at least 30 days before the date when net worth is to be computed. Where market value cannot be determined, valuations based on comparisons with similar rights and credits shall be established.

16. The bill shall provide that the detailed computations of tax returns may be filed in sealed envelopes bearing on the outside only the name and

residence of the taxpayer, the taxable net worth, and the tax paid thereon, with a certificate made under oath that the tax is computed according to law and at valuations established by the state bureau of taxation, and that such tax returns shall not be opened except upon express order of the governor and council based upon request of the state bureau of taxation accompanied by evidence of probability that the return in question is not accurate.

17. The bill shall establish the rate of tax on intangible personal property at a fixed rate which shall not exceed 10% of the interest yield obtainable from bonds of the highest grade maturing in 20 years.

18. The bill shall provide that an amount not exceeding \$500,000 from the revenue derived by the state out of the tax on intangible personal property shall be set aside each year for 5 years, to constitute a fund out of which subsidies may be paid to cities and towns which shall certify to their inability to maintain necessary municipal services out of their own revenues; but any city or town seeking to qualify for such subsidy shall be required to propose and set in motion a practicable plan designed to remedy its financial condition within 5 years from the effective date of the passage of the law, and no city or town shall receive a subsidy in excess of 25% of its own revenues derived from taxation of real estate and tangible personal property.

#### AS TO GENERAL CONSIDERATIONS

19. The state bureau of taxation shall consider the effect which the proposed measure would have upon all departments, agencies and instrumentalities of the state which now receive revenues from the existing state tax upon property, and shall give seasonable notice of the possible effect of its legislative proposals made under this authority and instruction to all whose revenues and support may be affected, in order that all concerned may examine the effect of the proposed bill upon their respective situations and take measures accordingly in the protection of their own interest.

20. The state bureau of taxation shall also consider the practicability of revising the laws relating to automobile excise taxes and registration fees and to licenses and other fees commonly paid to the state or town with a view to determining the feasibility of combining such fees and taxes under one annual application and one payment covering all.

21. Paragraphs 14, 15, 16, 17 and 18 shall be void, if an income tax is enacted by the 93rd legislature and becomes law; and be it further

**Appropriation. Resolved:** That for the purposes of this resolve, the sum of \$15,000 is hereby appropriated.