

MAINE STATE LEGISLATURE

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FINAL REPORT
of the
MAINE TAX REVISION COMMITTEE



Submitted To
Governor Frederick G. Payne
September 26, 1950

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OF THE
MAINE TAX REVISION COMMITTEE

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Lewiston, Maine

Office of the President

September 26, 1950

Governor Frederick G. Payne

State House

Augusta, Maine

Dear Governor Payne :

I have the honor to present to you, and through you to the Ninety-fifth Legislature, the final report of the Tax Revision Committee.

As is evident from our report, we are impressed by the seriousness of the financial situation of the State. The Committee will feel amply repaid for its efforts if its recommendations make it possible for the State to achieve once again a balance between current income and expenditure and, at the same time, to provide for the performance of all essential government services.

With best personal regards,

Sincerely yours,

(sgd.) CHARLES F. PHILLIPS

Charles F. Phillips, *Chairman*

Tax Revision Committee

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REPORT OF THE TAX REVISION COMMITTEE

This committee is deeply impressed with the magnitude of the problem confronting the State of Maine. In these times it is a moot question as to how much we can afford, whether we can have both guns and civilian services, and no one knows to what extent our economy must be mobilized. The magnitude of our problem can be demonstrated by some general figures. Today, we are taking about 25 per cent of each dollar for all governmental purposes; with increased federal taxation, the percentage may approach thirty. We must keep in mind that for every increase in state and local taxes of \$10 million we are taking an additional one percent of our income payments. The state and local governments should not, therefore, embark on new services, requiring new tax sources until such time as our ability to finance them and their urgent need have been clearly demonstrated.

This committee is also aware that the economic prosperity of our state depends upon the continued expansion of our present industries and the addition of new ones. Our location in relation to sources of raw materials and to markets gives our industries certain disadvantages which we must not accentuate by a burdensome tax program.

Yet state and local governments must have income so they can continue to provide the services which have become accepted. This committee found no real support for a drastic reduction in any of our major programs—in fact, at the local level there is considerable sentiment for greater expenditures on highways and schools. Economies may no doubt be made, but it is questionable that they would be of such scope as to solve our financial dilemma.

FIVE BASIC FACTS

Among the many facts which the Committee has had to keep in mind in the course of its investigation are five which should be understood by every citizen of the State of Maine.

- 1. AN ADEQUATE AND EQUITABLE FISCAL PROGRAM CANNOT UNDER OUR FEDERAL SYSTEM BE DEvised IN TERMS OF ANY ONE GOVERNMENT.**

Taxes are raised and services are performed by at least three important levels of government—federal, state, and local. And

one fact is inescapable. Today, the dominant factor in any consideration of fiscal policy must be the Federal Government. In expenditures, the increasingly liberal grant-in-aid-policy of the Federal Government may encourage state and local units of government to undertake services which they can ill afford. From the revenue point of view, it would be desirable if the state and local units had complete freedom to model their tax systems to meet their needs, but in fact their freedom of action is stringently restricted by the tax demands of the Federal Government. In 1948-49, the Federal Government collected \$117.5 million, or 57 per cent of all taxes levied in Maine; the actual incidence of federal taxation, however, was probably nearer to \$161 million, or 65 per cent of all taxes. This committee is convinced that the test of an equitable tax system must be in terms of the total impact of federal, state, and local taxation upon the individual taxpayer.

2. THE TREND OF GOVERNMENTAL COST IN MAINE, AS IN OTHER STATES, IS UPWARD.

In a general way, every citizen of the State of Maine is aware that the cost of operating our local and state governments is more today than it was 5, 10, or 50 years ago. But how many of us realize that the cost of our state government alone has increased 35 times in the 47 years ending June 30, 1949? Yet, that is exactly what has happened! In contrast to a total state government cost of \$1.6 million for the year ending June 30, 1902, in the more recent year the cost was over \$56 million.

The cost of the many services performed by our towns and other units of local government has also expanded four times since 1902, from \$7.5 million to over \$30.5 million in 1942.

This increasing cost of state and local government is not confined to a few categories, but is general throughout the whole realm of government expenditures. Forty-seven years ago our highways cost our state government less than \$10,000; now the annual outlay exceeds \$23 million. The cost of education and libraries has expanded from \$707,000 to over \$8 million; welfare, hospitals, and correction from \$397,000 to \$17 million, and health and sanitation from \$15,000 to \$769,000 during the same period. And so it goes throughout the whole list.

Since 1941, expenditures from the General Fund have increased 104 per cent and from the Highway Fund 96 per cent. Tables I and II indicate in more detail the increase in expenditures in this period. To make these expenditures statistics more comparable, they have been converted to a standard dollar, that of 1940. (See Tables III and IV.) It is apparent that from 1941-50 there has been an increase in the real costs of government, an increase of 33 per cent in operating costs allocated to the General Fund, and of 22 per cent in the total expenditures from the Highway Fund.

The studies of our sub-committee on the Cost of Government also found that by no means is Maine alone in these increasing expenditures; the same trend is evident in every state. As a matter of fact, if we lump all states together their expenditures increased 18 times between 1902 and 1944 (Maine's increased 17 times in this period.) That the cost of local government throughout the country has also shown a strong upward trend was made clear by investigations conducted by our sub-committee on Local Government.

In connection with the rise in the cost of operating our government, we should note that the tax-paying ability of our citizens has also increased. To illustrate, in 1929 our citizens had total incomes of \$449 million, whereas by 1949 their total incomes were \$1,004 million, a gain of 124 per cent.

3. CURRENTLY THE STATE OF MAINE IS SPENDING MORE THAN ITS RECEIPTS.

An analysis of our three major funds indicates that revenue is inadequate to support present levels of expenditures in two of them, i.e., the Highway and the General Fund. In the former the excess of expenditures over revenue in 1949 was \$904,000 and in 1950, \$273,000. Our primary concern, however, is with the General Fund. In 1949, General Fund Revenue exceeded expenditures by \$725,000, but in 1950 revenue did not equal expenditures by \$493,000. Legislative appropriations from unappropriated surplus explain the present condition of the General Fund. The 94th Legislature, in a special session, appropriated \$1,073,400 for the 1950 fiscal year and \$2,067,400 for the 1951 fiscal year to cover operating expenses in the Health and Welfare

and Education Departments and thus established a level of operation which cannot be supported by present revenues. If we assume that the income of the state will not increase materially, we shall require in the next biennium approximately \$2 million annually for expenses to continue present expenditures from surplus. In addition over the last nine years an average of \$670,244 a year has been appropriated from surplus for so-called non-recurring items. With the exception of the \$2 million working capital accounts, the General Fund surplus is now practically exhausted.

There are other complicating factors which serve to increase the requirements of the General Fund for more revenue. From 1941-49 state expenditures increased, when adjusted for price level changes, approximately 2 per cent a year, or at present level of expenditures over \$600,000 annually. A conservative estimate of General Fund requirements is approximately \$3.5 million, but this estimate may prove to be inadequate. We are now in an inflationary spiral, and an increase in the price level of 10 per cent would result in an increase of an additional \$3 million in General Fund expenses. Moreover, if the state withdraws from the property tax, as has frequently been suggested, there will be a loss to the General Fund of approximately \$5 million. It would appear, therefore, that the withdrawal of the state from the property tax together with its other known requirements might necessitate a new state tax to raise in excess of \$9 million.

While there may be argument as to the specific sum necessary to meet General Fund requirements, there can be no doubt that future legislative sessions will be forced to face the problem of increasing General Fund Revenue.

4. DESPITE THE GREAT RISE IN GOVERNMENT COST ALREADY EXPERIENCED, IT SEEMS LIKELY THAT FURTHER INCREASES ARE STILL AHEAD.

For this statement there are a number of reasons. First, local and state outlays have not yet felt the full impact of the price inflation which has already taken place in this country. For example, between 1937 and 1947 the nation-wide index of highway construction cost rose from 112 to 179, an increase of nearly 60

per cent. Since we delayed in our road construction program during the war years, we must now catch up at the higher prices.

Second, with the continuation of deficit financing on the part of our Federal Government and the likelihood of large military expenditures, it is evident that inflation is not yet over. If we are to maintain the same services in the face of an inflationary trend, we must be prepared for a sharp increase in the cost of government. An increase of 10 per cent in prices will mean over \$700,000 more for highway construction, and in excess of \$800,000 for maintenance. Old age assistance will cost three quarters of a million dollars more, and Aid to Dependent Children will require over an additional quarter of a million. State grants to cities and towns will take about one-half of a million more. Inflation places a severe strain on state fiscal policy, especially when, as in Maine, the revenue system is not particularly responsive to price changes.

Third, our population, which has increased from 797,000 to 910,000 in the past twenty years, is still increasing and this adds to the cost of state and local government services. We shall have 30,000 more inhabitants in Maine in 1958. A striking illustration of this factor is also evident in the field of education. By 1956, about 42,000 more children will be of school age than was the case as recently as 1948. The result: a need for more teachers, more classrooms, and more equipment. Another result: an increase in the cost of education for our local and state governments. In the same period, automobile registration will reach an estimated 300,000, a 14 per cent increase, and travel on our highways will be up at least 17 per cent.

A fourth factor must be mentioned: the likelihood of further expansion in the services which we demand of our local and state governments. Studies made by our sub-committee on State Government indicate that today we demand more educational, charitable, institutional and recreational services, to mention just a few, than ever before. (See Tables I, II, III, and IV.) Sometimes we seem to forget that taxes are merely the price we pay for these services, and decry rising taxes even as we demand more services. Since we are gradually adopting the attitude that the government should "do something for us," it seems likely that we will call for even more services in the future.

The foregoing three facts—that our local and state government costs are increasing, that we are currently operating at a deficit, and that a further rise in cost may be still ahead—suggest that Maine should immediately reconsider the services being performed for our citizens by our government, especially in the light of the fiscal ability of our citizens to support these services. We need to see if we cannot forego some of them and if others cannot be provided more economically. The necessity for economy is indicated in a few sentences of a report from our sub-committee on Cost of Government:

“Maine is not a wealthy state and decisions to embark upon new governmental expenditures must be approached with caution . . . In terms of income payments for individuals and retail sales per capita, both rough indices of fiscal ability, Maine ranks lowest of the six New England states and is near the top of the lower one-third of all the forty-eight states. It is also significant that Maine has gone from 17th in rank order in all states in income payments to individuals in 1933 to 33rd in 1948 . . . Maine’s resources are limited and the keynote of (our) fiscal policy should be caution.”

Since a comprehensive study of government services is outside the scope of the work of a committee on tax revision, we suggest to our Governor and Legislature that a committee be established for this purpose. Such a committee should also study the structure of government in Maine to see if costs cannot be reduced by eliminating some of the overlapping of services which now exists between our various units of local government and our state government. Moreover, we urge that this committee be established at once and that it be provided with a sufficient appropriation to carry out its task.

In our judgment, however, the factors listed above as contributing to rising governmental costs are so strong that, even after all economy is obtained, our local and state governments will still need more revenue. This, of course, is for the Legislature to determine; not our committee. But if the Legislature does find that more revenue is needed, then a fifth basic fact immediately becomes evident:

5. THERE ARE GRAVE DIFFICULTIES INVOLVED IN TRYING TO RELY UPON OUR PRESENT SOURCES OF TAXES FOR ANY SUBSTANTIAL FURTHER INCREASE IN REVENUE.

Our sub-committee on Local Government reports that at the present time 93% of the total tax revenue of our local units of government is derived from the property tax, while over 11 per cent of our state's total tax revenue comes from the same source. It is our opinion that tangible property, which produces the bulk of this revenue, is already taxed as much—if not more—than is desirable for a flourishing economy.

At the state level, 76 per cent of all revenue (excluding grants and contributions received from federal, city, town, and county governments) comes from the property tax; selective sales taxes on gasoline, cigarettes and tobacco; motor vehicle registrations and drivers' licenses; and liquor profits and excises on beer. As already stated, it is our judgment that the property tax is at least as high relative to other taxes as it should be. The gasoline tax was increased from 4c to 6c a gallon in 1947 and we doubt the desirability of depending on this tax for additional revenue. Moreover, along with the motor vehicle fees and drivers' licenses, this tax is now assigned for highway and related uses only. On liquor we already operate our liquor stores at a 61 per cent markup, and we believe that a further increase is impracticable. Finally, the cigarette tax was increased from 2c to 4c per pack in 1947 and tobacco is already taxed at 20 per cent of the selling price. In 1949, 55 per cent of state tax revenue was derived from selective sales taxes on tobacco, gasoline, and alcohol. The limited tax base of the state is demonstrated by the tax revenue in 1949.

TABLE V

State Tax Revenue in 1949		
Liquor and beer	\$ 6,930,526	15.86%
City and town tax	4,823,714	11.04
Gasoline	12,033,176	27.53
Registration and licenses	5,887,541	13.47

Public Utilities	2,770,543	6.37
Cigarette and tobacco	5,170,388	11.83
Other taxes	6,094,369	13.94

Stating it bluntly, we doubt the advisability of increasing the property tax for state revenue purposes and we feel confident it would be unwise to try for any substantial increase in tax revenue from such a handful of items as gasoline, tobacco, liquor, and motor vehicles. Consequently, unless the Legislature curtails state services, new sources of income should be considered.

Our conclusion is strengthened by the experience of other states. They have successfully explored additional revenue sources, such as the corporation net income tax, the individual net income tax, the gross receipts tax, and the consumers' sales tax. Faced with the need for more revenue, every state in the union with but 5 exceptions, of which Maine is one, has turned to the broad revenue base afforded by some type of sales or income tax.

AIM OF RECOMMENDATIONS

In view of the foregoing facts we believe that one major goal at which our recommendations should aim is that of suggesting a tax revision program which will produce more revenue for our local and state governments. We have also tried to develop a tax system which has a broader base than does our present system—one which is less dependent upon revenue from such a limited group of items as gasoline, cigarettes and other tobacco products, motor vehicles, and liquor and beer. Next, we have sought to propose a tax program which is more equitable as far as the individual taxpayer is concerned and which will have as little adverse effect as possible on the economy of the State. Finally, we hope that our recommendations will result in an improvement in the administration of our tax system.

The recommendations which follow are aimed at these four goals.

RECOMMENDATION NO. 1

IF THE STATE LEGISLATURE DECIDES THAT A SUBSTANTIAL INCREASE IN STATE REVENUE IS NEEDED, IT SHOULD BE PROVIDED THROUGH

(1) A SALES TAX WITH FOOD EXEMPTED, (2) A PERSONAL INCOME TAX, OR (3) A COMBINED PERSONAL INCOME AND SALES TAX.

The Tax Revision Committee recommends to the Governor and the Legislature that the State of Maine adopt (1) a sales tax with food exempted, (2) a personal income tax, or (3) a combined personal income-sales tax. The sentiment of the Committee on these three methods of taxation is indicated by our vote in which 23 of the Committee favored the sales tax, 8 the personal income tax, and 10 the combined personal income-sales tax. Some of the major arguments supporting each tax are presented below.

THE SALES TAX

1. The sales tax can be relied upon to provide a substantial revenue, if the Legislature decides it is needed. Estimates prepared for the Committee indicate that a 2 per cent retail sales tax (the 2 per cent figure is used for illustrative purposes only since the Committee made no effort to recommend to the Legislature a specific tax rate) would have provided from \$14 to \$15 million of revenue from 1949 sales. Even with an exemption for food, a revenue of \$10.5 to \$11.5 million would have been obtained. If a 2 per cent sales tax is adopted, the state could meet its own revenue needs and retire from the property tax.
2. The sales tax provides a more stable revenue from year to year than the income tax.
3. Everyone benefits from government and everyone should contribute to it. The sales tax meets this requirement, but state income taxes, with their exemptions, are not paid by a majority of the citizens.
4. Citizens called upon to pay sales tax will be more tax conscious and will take more interest in tax matters, especially in ways to decrease the cost of state government.
5. Under a sales tax program, the citizen is on a pay-as-you-go basis. Since but a few cents each day are involved, the majority of citizens finds it easier to pay on this basis, than to make larger payments at less frequent intervals.

6. Although the evidence indicates that it costs slightly more to collect a sales tax than it does a personal income tax, the cost is still small. To illustrate, a tabulation of sales tax collection costs in 21 states shows a range of from 2/3 of 1 cent to 2¼c per dollar of tax collected, with 13 states having a cost of less than 1½c.
7. Under a sales tax, visitors to the state help to pay for more of the services they enjoy than is true under an income tax.
8. The sales tax is an excellent tax for an inflationary period, such as we are now in, because it tends to discourage consumer expenditures and hence helps to stabilize the economy.
9. While the sales tax is regressive, when used with such a highly progressive tax as the federal net income levy, its regressive features are mitigated since the whole tax system remains progressive. For example, let us consider the percentage of income taken from five citizens (married and with two children) by all direct taxes (excluding federal excises).

	Without 2% Sales Tax	With 2% Sales Tax
\$ 1,500 person	8.0	9.0
2,500 person	7.5	8.5
5,100 person	14.5	15.3
10,200 person	18.9	19.5
41,000 person	24.5	24.9

It is evident from these figures that the impact of federal, state, and local taxes in Maine would still be progressive, even if a 2 per cent sales tax including food were adopted.

In addition to the positive considerations listed above, many of the committee feel that the sales tax is a lesser evil than the personal income tax because:

1. Capacity to pay, as a theory of taxation, is already fully exploited by the Federal Government.
2. If we are to achieve Federal-state tax coordination, the state should not adopt a personal income tax.
3. Highly progressive income taxes dry up savings which are used for plant expansion and modern equipment. Over-

exploitation of the personal income tax will gradually destroy our industrial potential.

4. The personal income tax may be susceptible to group exploitation—it becomes an instrument to redistribute wealth as well as to raise revenue.

THE PERSONAL INCOME TAX

1. The personal income tax, better than any other levy, recognizes ability to pay. Those who have financial means should contribute to a government which makes their income possible.
2. The personal income tax is a progressive tax. For example, a typical state personal income tax paid by the head of a family of four would take the following percentages of income:

\$ 1,500 person	0
2,500 person	0
5,100 person	1.1%
10,200 person	2.7
50,000 person	4.5
3. It is an easy tax to administer, and cost of administration should be under 1.5 per cent of collections.
4. An excessive proportion of state revenue is already derived from selective sales taxes.
5. The personal income tax is a satisfactory device for taxing intangible property, which at the moment escapes state and local taxation.
6. It is a flexible tax, and it will yield adequate revenue for immediate state needs. Estimates indicate that a personal income tax of the type levied in New York State would yield approximately \$4.5 million.
7. The personal income tax also is to be preferred to the sales tax because the latter:
 - a. places a heavy burden on the merchant who must collect it, and the cost of administration is too high.
 - b. falls most heavily on the poorest families and those with the most children.
 - c. places Maine retail business at a disadvantage since it must compete with non-sales tax states.

- d. is a tax with no exemptions, except for the wealthy who are exempt on what they save, or what they spend for stocks and bonds and personal services.
- e. is unpopular with labor and hence politically vulnerable.
- f. with its stability of yield falls most heavily on the taxpayer in times of depression when taxes should be reduced.
- g. reduces the effective purchasing power of the lower income groups, upon which a prosperous economy must be based.

THE COMBINED PERSONAL INCOME-SALES TAX

If the state adopts two major taxes simultaneously, it will create administrative problems and it may encourage extravagance in state spending. But greater equity will be achieved if a sales and personal income tax can be used together.

First, the two taxes mean a broad tax base—all groups contribute to the support of state government. The weaknesses of sales and personal income taxes as separate levies are partially corrected when the two are used together.

Second, there will be a tax base adequate to meet future as well as present needs.

Third, the revenue from these two taxes (\$9 to \$20 million) would enable tax revision and reform. The state could withdraw from the property tax, could reduce its selective levies on alcohol, gasoline, and tobacco, and could allocate other than highway user revenue to the highway fund.

The committee wishes to record this elemental fact. Taxes are not pleasant to pay, and the only "good" tax is one somebody else pays. Proponents of a personal income tax feel that the upper income groups should pay. Those who favor a sales tax want the costs of government to be distributed on as wide a basis as possible. Those who urge a combined personal income-sales tax feel that it provides for the most equitable distribution of additional costs of government. Any tax will be unpleasant. Some tax legislation is necessary. The fundamental question is who is going to pay the bill.

RECOMMENDATION NO. 2

WE RECOMMEND THAT ALL VEHICLES OWNED AND OPERATED BY THE STATE AND ITS POLITICAL SUBDIVISIONS BE EXEMPT FROM PAYMENT OF THE GASOLINE TAX.

The State of Maine now taxes the fuel used by its own motor vehicles and that consumed by vehicles owned and operated by its civil subdivisions, i.e., towns, plantations, cities, and counties. The wisdom of levying motor vehicle fuel taxes upon governmental units is certainly debatable, since it is highly illogical to tax them for performing necessary governmental services. We recommend, therefore, that vehicles owned and operated by the state or its civil subdivisions be exempt from the taxes levied on motor vehicle fuel.

RECOMMENDATION NO. 3

WE RECOMMEND, IN THE INTERESTS OF ECONOMY, STRICT ENFORCEMENT OF OUR MOTOR VEHICLE WEIGHT LAWS.

Mounting highway costs in recent years are a reminder that the effective enforcement of load limits may be an important economy measure. We recommend, therefore, that the Legislature appropriate a sufficient sum for the enforcement by the State Police of the existing weight laws and that consideration be given to the possible establishment of an additional truck weighing station at Kittery. Further, we would urge the adoption of a scale of penalties for violations which will effectively deter flagrant and wilful violation of the load limits.

RECOMMENDATION NO. 4

REGARDLESS OF LEGISLATIVE ACTION ON A MAJOR TAX, WE RECOMMEND THESE CHANGES IN THE PROPERTY TAX: (1) EXEMPTION OF ALL INTANGIBLES AND OF HOUSEHOLD PERSONAL PROPERTY, AND (2) IMPROVEMENTS IN ITS ADMINISTRATION. IN ADDITION, IF THE LEGISLATURE ADOPTS A MAJOR TAX, WE RECOMMEND THAT ALL REVENUE

FROM THE PROPERTY TAX IN ORGANIZED DISTRICTS GO FOR THE SUPPORT OF LOCAL GOVERNMENT. IF THIS STEP IS TAKEN, THEN THE STATE SHOULD ASSIGN TO LOCAL GOVERNMENT SOME OF THE SERVICES IT IS NOW PERFORMING, OR LOCAL GOVERNMENT SHOULD REDUCE THE PROPERTY TAX RATE. LOCAL GOVERNMENT SHOULD ALSO FOREGO THE POLL TAX, IF THE LEGISLATURE ADOPTS A SALES TAX OR A COMBINED INCOME-SALES TAX.

EXEMPTIONS

The exemptions which we recommend, although requiring a constitutional amendment, would simplify the property tax with a relatively small loss in revenue. For example, in 1949 the total valuation of this property was \$9.8 million which, at an average tax rate of 64 mills, produced less than \$630,000 in revenue. It is practically impossible to get a correct list of such property and for much of it even if a list could be obtained, it is difficult to appraise.

ADMINISTRATIVE IMPROVEMENTS

The administrative improvements which we suggest might well follow the pattern which has successfully been established in some other states. A general outline of these improvements is as follows:

1. Some states have found it advisable to create the Office of State Tax Commissioner. If we create such an office, it would be well for the Commissioner to act as head of the Bureau of Taxation and be responsible for the collection of all state taxes, with the exception of liquor profits, beer excises, and drivers' licenses and automobile registration fees. We would suggest that the State Tax Assessor be located in the Bureau of Taxation and made responsible to the State Tax Commissioner. It would be the duty of the State Tax Assessor to assess property for the purposes of the state property tax and to perform the duties mentioned below.
2. The Legislature, either directly or through the State Tax Assessor, should give consideration to a division of the State

- into assessment districts, with each district large enough to support at least one full-time and adequately paid assessor.
3. To maintain local control of assessments, we would suggest that the district assessors be selected by each district. However, those selected should come from a panel of individuals with qualifications approved by the State Tax Assessor.
 4. The State Tax Assessor might well be assigned the responsibility for the training of these district assessors, so that they would use better tax maps, more complete tax lists, and better property descriptions. He should also check on the quality of their work and have power to remove them for cause.
 5. All valuations should be on a 100% basis. At present, practically all property valuations are on some fraction of 100 per cent. In theory, to arrive at a 40 per cent valuation, the assessors should decide upon the 100 per cent figure and then take 40 per cent of it. In practice, however, since valuations are relatively low and, therefore, less subject to protest by our citizens, there is a strong tendency to make a quick guess at a valuation figure. Stated bluntly, a requirement that a 100 per cent valuation be used will result in more equitable valuation. With a higher valuation, of course, tax rates can be reduced, so that total taxes will not be increased.
 6. Currently citizens appeal from the decisions of the local assessor to the County Commissioner and then to the Superior Court. Under the new procedure, appeals from the district assessors would go directly to a special State of Maine Appeal Board which would be established for this specific purpose.

We are convinced that changes along the lines indicated by the foregoing six suggestions will result in a far more equitable administration of the property tax. In addition, by improving the local valuation system, we should soon reach the time when it could be used for both state and local purposes, thereby eliminating the present duplication of effort.

PROPERTY TAXES FOR LOCAL GOVERNMENT

Throughout the United States there is a strong trend for state governments to leave the property tax to local government. We

approve of this trend since (1) the property tax can be successfully administered at the local level, and (2) other sources of revenue, such as the income or sales tax, are available for the support of state government. Consequently, if Maine adopts a major tax, all income from the property tax should go to local government. If this step is taken, we also recommend that the state should assign to the local government some of the services it is now performing, or the local government should reduce the property tax rate.

UNORGANIZED DISTRICTS

If the property tax is left for the support of local government, there remains the problem of the support of unorganized districts. Here there is a simple solution: let the Legislature create a single school district and a single highway district which would include all unorganized areas. The State Tax Assessor would assess both school and highway taxes in the newly created district.

POLL TAX

Our reasons for recommending the abolition of the poll tax are threefold:

1. It will not be needed if all property tax revenue is available for the support of local government.
2. It will not be necessary to rely upon it as a method of making everyone tax conscious, since all will pay the retail sales tax.
3. It is a relatively expensive tax to collect. If the Legislature decides to continue the poll tax, we recommend that it be levied on women as well as men.

RECOMMENDATION NO. 5

WE RECOMMEND THAT THE NINETY-FIFTH LEGISLATURE AUTHORIZE AND PROVIDE FUNDS FOR THE ESTABLISHMENT OF A SPECIAL COMMITTEE OF TAX EXPERTS TO MAKE SUGGESTIONS COVERING A NUMBER OF TECHNICAL ASPECTS OF OUR TAX SYSTEM. THE GOVERNOR SHOULD APPOINT THE MEMBERS OF THIS COMMITTEE AND DESIGNATE THE CHAIRMAN.

As a committee we have been impressed with the need for a study by experts of certain aspects of our tax laws. To illustrate, and without any implications that the businesses named are paying too much or too little in current taxes, our railroads, and telephone and telegraph companies pay property taxes on local lands and buildings to local government units. However, outside of local areas they pay to the State a gross receipt tax in lieu of the property tax. We believe a panel of experts should study carefully this arrangement to see that it is equitable both to the firms and to our local and state governments. Other situations calling for expert study, and again without implication as to the equity of the taxes paid currently, are our gas and electric companies, our forest lands (including the possibility of a severance tax), and our franchise tax on corporations as compared with similar taxes in other states.

We also recommend that this committee examine the present schedule of motor vehicle registration fees. Specifically the committee should determine the relative use of the public roads by heavy trucks as against light trucks and passenger cars and suggest registration fees more nearly in accord with highway use.

Finally, we recommend that this committee institute studies to determine:

- (a) whether the load limits, as now set, are too high for the type of highway that we have in Maine, and
- (b) whether it is desirable to designate particular highways for heavy traffic, and bar such traffic from other highways.

Based on its studies, the committee should make recommendations directly to the Legislature. It is our hope that this committee of experts could finish its work in a few months.

TABLE 1
GENERAL FUND
SUMMARY OF EXPENDITURES (1941-1945)
WAR PERIOD

Expenditures	1941	1942	Per Cent Increase Decrease	1943	Per Cent Increase Decrease	1944	Per Cent Increase Decrease	1945	Per Cent Increase Decrease
General Administration....	\$1,069,919	\$864,033	(19%)	\$1,055,313	22%	\$935,673	(11%)	\$1,210,060	29%
Protection of Persons & Property.....	440,622	375,963	(16)	473,640	26	512,677	8	473,452	(8)
Development of Conserv. of Nat. Res.....	1,260,013	1,164,356	53	916,083	(21)	1,120,937	22	1,256,614	12
Health & Sanitation.....	126,518	142,392	13	161,536	13	164,631	2	182,757	11
Welfare & Charities.....	7,008,825	7,391,057	5	7,450,831	1	7,811,989	5	8,463,924	8
Institutions									
State Hospitals & Sans..	1,622,996	1,731,911	7	1,819,537	5	2,129,655	17	2,054,408	(4)
Correctional.....	536,887	615,156	15	528,242	(12)	723,435	37	777,560	7
Charitable.....	70,750	75,996	7	73,708	3	80,195	9	80,511	1
Education & Libraries.....	3,387,173	3,641,905	8	3,738,886	3	4,308,644	15	4,509,731	5
Recreation & Parks.....	13,154	25,226	92	21,647	(14)	24,844	15	24,444	(2)
Miscellaneous.....	22,732	73,353	223	4,868	(93)	43,301	790	4,363	(90)
Unemploy. Adminis.....	476,921	359,902	(25)	239,902	(33)	—	—	—	—
Contrib. & Transfers...	116,582	139,742	20	427,308	206	485,683	14	478,297	(2)
Refund of R.R. & Teleg. Tax.....	139,193	92,935	(33)	97,595	5	—	—	—	—
Debt Service									
Principal.....	215,000	360,000	67	245,000	(32)	220,000	(10)	145,000	(34)
Interest.....	40,487	63,850	58	49,150	(23)	38,050	(23)	25,700	(32)
Total Expenditures.....	\$16,547,772	\$17,117,777	3%	\$17,303,247	2%	\$18,599,715	7%	\$19,686,821	6%

() Indicates decrease

NOTE: The figures in this Table and those that follow have been rounded to the nearest dollar. As a result the "Total Expenditures" will not check exactly with a total of the individual expenditures.

TABLE 1 (Continued)
GENERAL FUND
SUMMARY OF EXPENDITURES (1946-1950)
POST-WAR YEARS

Expenditures	1946	Per Cent Increase Decrease	1947	Per Cent Increase Decrease	1948	Per Cent Increase Decrease	1949	Per Cent Increase Decrease	1950	Per Cent Increase Decrease	Per Cent Increase 1941-50
General Administration .	\$1,152,635	(5)%	\$1,596,854	39%	\$1,316,926	(17)%	\$1,756,795	33%	\$1,437,302	(18)%	34%
Protection of Persons & Property	688,187	45	583,207	(15)	1,024,796	76	732,136	(29)	1,114,100	52	153
Development of Conserv. of Nat. Res.	1,562,394	24	1,992,032	27	1,149,137	(42)	1,174,551	2	1,492,729	27	97
Health & Sanitation	233,785	28	300,677	29	309,245	3	294,371	(5)	340,354	16	169
Welfare & Charities.	9,310,392	10	10,929,656	17	10,877,322	1	12,448,492	14	14,265,290	15	104
Institutions											
State Hospitals											
& Sans.	2,432,987	18	2,986,841	23	3,289,405	10	3,632,479	10	3,497,929	1	127
Correctional.	877,159	13	1,007,824	15	1,019,586	1	1,106,182	8	903,757	(4)	98
Charitable.	99,394	23	189,024	90	203,066	7	217,669	7	148,345	(32)	110
Education & Libraries . . .	5,684,506	26	6,486,171	14	7,200,527	11	7,756,757	8	8,010,290	3	136
Recreation & Parks.	44,371	82	51,031	15	62,866	23	127,589	103	91,897	(28)	599
Miscellaneous.	39,134	797	8,142	(79)	7,844	4	4,413	(44)	10,800	145	(52)
Unemploy. Adminis. . . .	—	—	—	—	—	—	—	—	—	—	—
Contrib. & Transfers. . .	514,252	8	563,295	10	1,127,612	100	1,121,451	1	1,391,359	24	993
Refund of R.R. & Teleg. Tax.	—	—	—	—	—	—	—	—	—	—	—
Debt Service											
Principal	145,000	0	95,000	(34)	45,000	(53)	45,000	0	45,000	0	(79)
Interest	24,100	(6)	7,250	(70)	1,800	(75)	1,350	(25)	900	(33)	(98)
Total Expenditures . . .	\$22,808,298	16%	\$26,797,006	17%	\$27,635,134	3%	\$30,419,234	10%	\$32,750,053	9%	104%

() indicates decrease

TABLE 2
HIGHWAY FUND
SUMMARY OF EXPENDITURES (1941-1945)
WAR PERIOD

Expenditures	1941	1942	Per Cent Increase Decrease	1943	Per Cent Increase Decrease	1944	Per Cent Increase Decrease	1945	Per Cent Increase Decrease
General Administration...	\$415,500	\$414,479	()*	\$407,470	(2)	\$429,972	6%	\$422,523	(2%)
Protection of Persons, & Property.....	337,507	341,446	1	329,818	(3)	373,801	13	396,327	6
Highways & Bridges.....	7,841,292	7,882,616	()*	4,492,842	(43)	4,871,618	8	4,802,335	(1)
Snow Removal & Sanding.	895,092	854,854	(5)	1,110,128	30	1,184,016	7	1,347,663	14
Sub Total.....	9,489,391	9,493,395	1	6,340,258	(33)	6,859,407	8	6,968,848	2
Miscellaneous.....	58,432	54,651	6	37,266	(32)	37,763	1	59,462	57
Contributions & Transfers	212,695	51,281	(76)	42,095	(18)	97,257	131	98,851	2
Debt Service.....									
Principal.....	1,853,000	2,209,000	(35)	1,824,000	51	2,074,000	14	1,774,000	(14)
Interest.....	805,932	741,062	(8)	679,018	(8)	616,495	(9)	552,723	(10)
Total Expenditures....	\$12,419,452	\$12,549,389	1%	\$8,922,637	(29%)	\$9,684,923	9%	\$9,453,884	(2%)

* Less than 1% (). Indicates decrease.

TABLE 2 (Continued)
HIGHWAY FUND
SUMMARY OF EXPENDITURES (1946-1950)
POST-WAR PERIOD

Expenditures	1946	Per Cent Increase Decrease	1947	Per Cent Increase Decrease	1948	Per Cent Increase Decrease	1949	Per Cent Increase Decrease	1950	Per Cent Increase Decrease	Per Cent Increase 1941-50
General Administration	\$458,588	9%	\$594,195	30%	\$625,164	5%	\$816,847	31%	\$911,533	112%	119%
Protection of Persons & Property.....	416,750	5	569,920	37	629,912	11	644,766	2	801,653	24	138
Highways & Bridges.....	6,065,017	26	10,323,282	70	14,283,797	38	17,611,658	23	18,104,634	3	131
Snow Removal & Sanding.....	1,658,746	23	1,836,824	11	2,009,988	9	1,849,784	(8)	2,227,582	20	149
Sub Total.....	8,599,101	23	13,324,221	55	17,548,861	32	20,923,055	19	22,045,402	5	132
Miscellaneous.....	107,604	81	72,820	(32)	69,557	(4)	69,565	1	44,389	(36)	(24)
Contributions & Transfers.....	162,185	64	158,741	(2)	206,941	30	215,160	4	259,896	21	22
Debt Service Principal.....	1,724,000	(3)	1,729,000	1	1,729,000	1	1,629,000	(6)	1,629,000	1	(12)
Interest.....	496,700	(10)	441,428	(11)	386,705	(12)	331,983	(14)	280,261	(16)	(65)
Total Expenditures..	\$11,089,591	17%	\$15,726,210	42%	\$19,941,064	27%	\$23,168,764	16%	\$24,258,948	5%	96%

1. Less than 1%

() Indicates decrease.

TABLE 3
GENERAL FUND
SUMMARY OF 1941, 1949 and 1950 EXPENDITURES
EXPRESSED IN 1940 DOLLARS

Expenditures	1941 Expenditures	1949 Expenditures	Per Cent Increase 1941-49	1950 Expenditures	Per Cent Increase 1941-50
General Administration	\$1,019,098	\$1,041,076	2.13%	\$857,206	(15.89%)
Protection of Persons & Property	419,692	625,236	48.97	664,449	58.31
Development & Conservation of Natural Resources	723,298*	696,038	(3.79)	890,263	23.08
Health and Sanitation	120,508	174,444	44.73	202,987	68.45
Welfare and Charities	6,675,906	7,373,976†	10.50	8,507,819	27.44
Institutions					
State Hospitals & Sanatoriums	1,545,904	2,152,607	39.22	2,086,165	34.94‡
Correctional	511,385	655,523	28.16	539,001	23.89‡
Charitable	67,389	128,990	91.37	88,473	31.30
Education and Libraries	3,226,282	4,596,654	42.45	4,777,337	48.07
Recreation and Parks	12,529	75,609	500.49	54,807	337.72
Miscellaneous	21,652	2,615	(87.93)	6,441	(70.26)
Unemployment Administration	—	—	—	—	—
Contributions and Transfers	111,044	664,571	498.37	829,806	647.29
Refund of Railroad & Telegraph Tax	—	—	—	—	—
Debt Service					
Principal	204,787	26,667	(86.99)	26,838	(86.90)
Interest	38,564	800	(97.93)	537	(98.61)
TOTAL EXPENDITURES	\$14,698,038	\$18,214,806	23.93%	\$19,532,129	32.89%

*Inland Fish and Game expenditures omitted.

†World War Assistance included in Welfare and Charities.

‡Adjusted for state farm expenditures.

() indicates decrease.

TABLE 4
HIGHWAY FUND
SUMMARY OF 1941, 1949 and 1950 EXPENDITURES
EXPRESSED IN 1940 DOLLARS

Expenditures	1941 Expenditures	1949 Expenditures	Per Cent Increase 1941-49	1950 Expenditures	Per Cent Increase 1941-50
General Administration.....	\$395,764	\$484,063	22.31%	\$543,638	37.36%
Protection of Persons, Property.....	321,475	382,088	18.85	478,106	48.72
Highway, Bridges.....	7,468,831	10,436,668	39.73	10,797,604	44.56
Snow Removal and Sanding.....	852,575	1,096,181	28.57	1,328,530	55.82
Sub-total.....	9,038,645	12,399,000	37.17	13,147,878	45.47
Miscellaneous.....	55,656	41,224	(25.94)	26,473	(52.44)
Contributions and Transfers.....	202,592	127,504	(37.07)	155,002	(23.50)
Debt Service					
Principal.....	1,765,982	965,345	(45.34)	971,536	(44.99)
Interest.....	767,650	196,733	(74.38)	167,148	(78.23)
TOTAL EXPENDITURES.....	\$11,830,525	\$13,729,806	16.05%	\$14,468,037	22.30%

() indicates decrease.