

# MAINE STATE LEGISLATURE

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STATE OF MAINE

ONE HUNDRED AND NINTH LEGISLATURE  
COMMITTEE ON TAXATION

February 28, 1979

Senator Richard Pierce, Chairman  
Legislative Council  
State House  
Augusta, Maine 04333

Dear Senator Pierce:

In accordance with Title 1, Chapter 31 of the Maine Revised Statutes Annotated directing the appropriate legislative committee to prepare and submit a report evaluating the advisability of retaining Title 36, sections 652 and 656 concerning property tax exemptions, the Joint Standing Committee on Taxation hereby submits the attached final report of the Committee.

Respectfully submitted,

*Thomas M. Teague*

Thomas M. Teague  
Senate Chairman

*Bonnie Post*

Bonnie Post  
House Chairman

REPORT OF THE  
JOINT STANDING COMMITTEE ON TAXATION  
ON THE STATUTORY REVIEW OF  
THE PROPERTY TAX EXEMPTIONS  
CONTAINED IN TITLE 36, SECTIONS 652 & 656

SENATE

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## PREFACE

The property tax has traditionally been a local tax used to finance local government and governmental services. When there are taxes, there are tax exemptions. This report evaluates certain tax exemptions in Maine on real and personal property.

The impact of these exemptions is significant. The total value of tax exempt property in Maine is estimated at \$2,906,979,647. The state tax assessor has estimated that, state-wide, the property exempted from the tax base by 36 MRSA sections 652 and 656 is \$974.3 million (at 100% valuation). This represents about 5% of the total property value of the State of 15.5 billion (at 100% valuation). This represents an 8% shift in tax burden to the current taxpayers, or about \$15.6 million.

## I. INTRODUCTION

Title 1, Chapter 31 provides that the appropriate legislative committee having jurisdiction over Title 36, sections 652 and 656, as amended, shall prepare and submit to the Legislature a report evaluating the advisability of retaining those statutory provisions. That report shall include:

1. An evaluation of the past effectiveness of the statutory provisions;
2. An evaluation of the future need for the statutory provisions;
3. An examination of alternative methods of attaining the purpose of the provisions;
4. An estimate of the cost of retaining the provisions; and
5. A recommendation of the committee as to the amendment, repeal, replacement or retention of the provision, along with any accompanying legislation so required.

The Joint Standing Committee on Taxation, having jurisdiction over the statutory provisions subject to review, has evaluated the following property tax exemptions:

### SECTION 652 EXEMPTIONS

1. Benevolent and charitable institutions,
2. Literary and scientific institutions,
3. The American National Red Cross,
4. Veteran service clubs,
5. Chambers of Commerce and Boards of Trade,
6. Houses of religious worship and parsonages,
7. Tombs and rights of burial,
8. Fraternal organizations operating under the lodge system,

9. Colleges offering Bachelor of Arts degrees or Bachelor of Science degrees having taxable land not bought after April 12, 1889, (Reimbursement of up to \$1,500 authorized),

10. Property owned by one or more of the above organizations and occupied or used by one or more other such organization, and

11. Real and personal property leased by a hospital, health maintenance organization, or blood bank.

#### SECTION 656 EXEMPTIONS

1. Municipal water supply corporations, when the municipality takes water therefrom to fight fires without charge,

2. Mines of gold, silver or other metals,

3. Private airport landing areas,

4. Water or air pollution control facilities,

5. Fallout shelters, and

6. Solar energy equipment.

#### II. PUBLIC HEARING

In accordance with 36 MRSA §2603 (Chapter 31), a public hearing was held on 7 February 1979 to solicit and hear testimony from interested parties concerning the tax exemptions subject to review. Oral testimony was heard and/or written testimony was submitted from representatives of the following organizations or individuals: United Way of Penobscot Valley, Maine Medical Center, Maine Health Association, Mercy Hospital, Osteopathic Hospital of Maine, Bath-Brunswick Mental Health Association, American Legion, various members of service clubs, Kennebec Valley Chamber of Commerce, various religious organizations including Bangor Baptist Church, the Grange, Department of Transportation (concerning private airport landing areas), tax assessors,

town managers, city solicitors, and the Maine Municipal Association.

### III. BACKGROUND OF PROPERTY TAX EXEMPTIONS IN MAINE

A. Constitution of Maine. There is no constitutional basis for property tax exemptions in Maine. Where other states have constitutional property tax exemptions, all such exemptions in Maine are by statute. The State Constitution does, however, provide taxing guidelines which relate indirectly to property tax exemptions.

Article IX, section 8 provides, in part, that: "All taxes upon real and personal estate, assessed by authority of this State, shall be apportioned and assessed equally, according to the just value thereof:..."

This section does not require the Legislature to impose taxes upon all property within the State; however, "...any and all taxes assessed upon real and personal property by the State must be assessed on all of the Property in the state on an equal basis..." Opinion of the Justices, 146 Me. 239,248. It is further stated that the "Legislature has power to determine what kinds and classes of property shall be taxed and what kinds and classes shall be exempt from taxation..." Opinion of the Justices, 155 Me. 30. That is to say that if a tax or an exemption may be lawfully imposed upon any kind or class of real property so long as it is apportioned and assessed equally on all such property.

The second provision of the State Constitution which indirectly relates to property tax exemptions is contained in Article I, section 6-A, which states that "No person shall be ...denied the equal protection of the laws, nor be denied the enjoyment of his civil rights or be discriminated against in the exercise



thereof." This provision generally requires, in cases where a tax or an exemption taxes or exempts a particular class of property, that classification must bear a reasonable relationship to the primary purpose of the tax or exemption and that purpose must serve a legitimate public interest.

B. Statutory exemptions. "The Policy of the State is that all property therein, unless exempted by statute, shall bear its fair share of tax burden" *Pejepscot Paper Company v. State*, 134 Me. 184. Exemptions are entirely creatures of statute and the legislature is only limited by the Constitutional restrictions. The municipalities may only grant tax exemptions when specifically authorized by the State. Early Maine taxation merely listed what items were subject to a tax. In 1845, Maine enacted the first general property tax and listed 8 exemptions:

1. Federal and State property,
2. property of literary, benevolent, charitable, and scientific institutions,
3. household furniture (up to \$200 per family), wearing apparel, farming utensils and mechanics' tools necessary to carry on one's trade, and musical instruments (up to \$15 per family),
4. houses of religious worship, pews and furniture, tombs and rights of burial,
5. mules, horses, neat cattle, swine, and sheep less than 6 months old,
6. polls and estates of Indians and persons under guardianship,
7. polls and estate of people unable to contribute (for

reasons of age, infirmity, and poverty), and

8. polls and estates of inhabitants of islands without highways were exempt from highway tax.

Currently, "All real estate within the State, all personal property of residents of the State and all personal property within the State of persons not residents of the State is subject to taxation..." (36 MRSA §502). Any of the aforementioned property not taxed must be specifically exempted by statute.

#### IV. RATIONALE FOR PROPERTY TAX EXEMPTIONS

Property tax exemptions have been in existence ever since there were property taxes. Institutional and religious exemptions have long been the practice in England and other parts of Europe. The American colonies, and later the post-colonial nation adopted the British laws exempting educational and charitable institutions. The rationale for property tax exemptions and for continuing exemptions in lieu of other forms of assistance includes the following arguments:

1. In the instance of educational, health, and welfare institutions there is the assumption that they are performing public services which otherwise the government would be required to undertake, or are advancing cultural and social causes that the government should wish to encourage.

(Advisory Commission on Intergovernmental Relations, The Role of the States in Strengthening the Property Tax, Vol. 1 (Washington, D.C.: June 1963), p. 83.)

2. To qualify for special tax treatment...the property seeking exemption should be used in rendering a service affected with bona fide public interest. This service should either supplement the same service rendered by the state, as in providing schools or other educational facilities, or should be a service

in which, though the state does not directly engage, it has nevertheless a genuine interest.

(Jens Peter Jenson, Property Taxation in the United States (Chicago: The University of Chicago Press, 1931), p. 125.)

3. Property tax exemptions provide a means for the state to support certain organizations and institutions which it is deemed to be in the public interest to support without the expenditure of state funds. Local tax payers will fund the assistance programs from local property taxes.

4. Property tax exemptions provide a means of encouraging the allocation of resources to socially desirable organizations and institutions.

5. The power to tax often becomes the power to regulate or control. Property tax exemptions provide a means of assisting certain organizations and institutions virtually without governmental interference. These organizations would be free to pursue their goals free of government regulations or influence.

6. Given the current existence of property tax exemptions, the imposition of a property tax could require those organizations and institutions currently enjoying tax exemption to either increase their funding (from public or private sources) or decrease their level of services (which in some cases would require an increase in the level of services from the local and state governments.)

7. Any change, per se, is basically a disruptive process. If current tax exemptions are eliminated, the resulting scramble

for already scarce funding would lower the efficiency and effectiveness of organizations and institutions which it has been deemed desirable to encourage.

#### V. POLICY ARGUMENTS FOR LIMITING OR ELIMINATING PROPERTY TAX EXEMPTIONS.

While property tax exemptions have enjoyed remarkably secure existences to date there are many factors which are forcing a reconsideration of the wisdom of some or all of the property tax exemptions as a matter of public policy. Some of the policy arguments for limiting or eliminating property tax exemptions are as follows:

1. Property tax exemptions erode the only tax base available to municipalities. There is no alternate method of taxation available to those municipalities to make up the loss. The legislature has passed property tax exemptions without regard for the impact on the local property tax.

2. Tax exemptions shift the tax burden to non-exempt property. It is a simple matter of arithmetic to arrive at this conclusion. If you remove some of the property from the tax base the remainder of the property must bear a proportionate share of tax burden. While some citizens may receive services or benefits from tax exempt property, others do not receive any benefit for their increased burden. Businesses generally do not receive any of the so-called benefits or services, particularly in the more urban areas, and must often bear a large percentage of the "tax shift burden."

3. Tax exemptions are merely a "hidden" form of subsidy. Being an indirect form of subsidy that it is, the legislature which creates this exemption has little control or oversight over the amount of the subsidy and the policy of those exempt organizations or institutions. The current system of tax exemptions does little, if anything, to discourage the duplication of services provided by tax exempt organizations. (The current statutory review does provide a limited means of oversight as to the types of organizations eligible for the subsidy, but only in terms of broad general categories and not for any specific institution or organization.)

4. The citizens who end up paying for the property tax exemptions in a community have little or no control over which organizations receive the tax exempt status. It is the state which determines which classifications will be exempt.

5. The citizens in a community support tax exempt organizations while others outside that community receive the benefits. For example, a hospital serves an area greater than the taxing district in which it is located; however, only the taxpayers in the location of the hospital bear the burden of the tax shift.

6. There is no relationship between the amount of the benefit received by the organization or institution and the benefit which is allegedly provided.

## VI. POLICY ALTERNATIVES CONCERNING PROPERTY TAX EXEMPTIONS

A. Retain current tax exemptions.

B. Terminate all or some of the exemptions and provide some other form of subsidy. It is suggested that by doing this you would receive a more efficient and accountable method of providing assistance to certain organizations and institutions. All items would be competing for the tax dollar on an equal basis, including organizations currently not tax exempt. This would also allow the subsidy to come from another source than the property tax base and thus improve the adequacy of the property tax at the local level.

The administrative costs, however, of direct subsidies are greater than for tax exemptions. A direct subsidy also allows more control over the tax exempt organizations and potentially less policy latitude. In some instances a direct subsidy may be unconstitutional.

C. Sunset some or all exemptions. Provide for a gradual elimination of property tax exemptions.

D. Terminate some or all exemptions. This would immediately provide a broader tax base for municipal revenues.

E. Provide compensation from tax-exempt organizations such as a service charge for certain specified services. This alternative may also be provided on a local option basis, i.e., let each municipality decide which organizations or institutions will be required to pay a service charge or allow the municipalities to divide what form of compensation will be required. (See Part VII for further discussion of payments in lieu of taxes.)

F. Allow the municipalities to determine which organizations will be tax exempt.

G. Amend the qualifications for property tax exemptions making the requirements more strict and reducing the number of organizations which may qualify.

H. Provide payments by the state to municipalities for revenue lost from tax-exempt property. The payments could be a percentage of the revenue lost or all of the revenue lost. This would reallocate the tax burden shift from the local taxpayers to a state-wide base. (Compare the latest constitutional amendment which requires the state to pay 50% of all revenue lost from any new property tax exemptions.)

I. Put a dollar ceiling on the amount of exemption granted. Currently tax exemption of parsonages is limited to the first \$20,000.

J. Allow other forms of local revenue to supplement the eroded property tax base, e.g., a local income tax or sales tax.

#### VII. EXAMPLES OF CURRENT PAYMENTS MADE IN LIEU OF TAXES IN MAINE

A. The following is taken from a 1975 Bureau of Public Administration Report on Institutional tax exemptions in Maine. "In a number of the college communities...local officials have requested that the University of Maine pay for some of the services it requires. When asked, the University usually responds and makes some sort of agreement with the town. However, if payment from the University is not directly solicited, the general rule is that the institution does make an offering voluntarily. As a result of this situation, present payments to communities tend to be arbitrary; that is, not based on a formula and temporary rather than on an agreed annual basis.

"A few instances of in lieu payments by other kinds of exempt institutions were also revealed...These include the following:

1. In Kittery, the 300-unit Naval housing complex called Admiralty Village is billed quarterly for the annual amount of \$24,000, the prorated per capita cost of services. Loring Air Force Base provides Limestone with \$525 per year for snow removal around a 12-unit housing area. All federal installations pay the local water and sewage charges.

2. As compensation for the service requirements of federal housing projects, there is a customary agreement with cities than [sic] 10 percent of the "shelter rent" (gross rent less utilities) from federally-sponsored housing is given annually to the city as an in lieu of tax payment.

3. Within urban renewal sites the Department of Housing and Urban Development (HUD) often acquires structures slated to be demolished. HUD gives the city an annual financial credit for lost tax revenue while they are still standing.

4. Bowdoin College has occasionally subsidized operations in the Town of Brunswick--e.g., the ambulance service and the rebuilding of a street.

Three private colleges (Bowdoin, Colby and Nason) also pay taxes upon some of their holdings. For the most part, however,



state properties, county properties, hospitals, fraternal and veterans' clubs, private educational establishments and churches do not provide compensatory payments.

B. Maine currently allows a service charge for certain services for residential properties which are totally exempt from property taxation, yet used to provide rental income. (36 MRSA, §652, sub-§1, ¶L)

1. Service charges.

(1) The owners of certain institutional and organizational real property, which is otherwise exempt from state or municipal taxation, may be subject to service charges when these charges are calculated according to the actual cost of providing municipal services to that real property and to the persons who use that property. These services shall include, without limitation:

- (a) Fire protection;
- (b) Police protection;
- (c) Road maintenance and construction, traffic control, snow and ice removal;
- (d) Water and sewer service;
- (e) Sanitation services; and
- (f) Any services other than education and welfare.

(2) The establishment of service charges is not mandatory, but rather is at the discretion of the municipality in which the exempt property is located. The municipal legislative body shall determine those institutions and organizations on which service charges are to be levied by charging for services on any or all of the following classifications of

tax exempt real property;

(a) Residential properties currently totally exempt from property taxation, yet used to provide rental income. This classification shall not include student housing or parsonages.

If a municipality levies service charges in any of the classifications of this subparagraph, that municipality shall levy these service charges to all institutions and organizations owning property in that classification.

(3) With respect to the determination of service charges, appeals shall be made in accordance with an appeals process to be provided for by municipal ordinance.

(4) The collection of unpaid service charges shall be carried out in the same manner as provided in Title 38, section 1208.

(5) Municipalities shall use the revenues accrued from service charges to fund, as much as possible, the costs of those services.

(6) The total service charges levied by a municipality on any institution and organization under this section shall not exceed 2% of the gross annual revenues of the organization. To qualify for this limitation the institution or organization shall file with the municipality an audit of the revenues of the organization for the year immediately prior to the year which the service charge is levied. The municipal officers shall abate the service charge amount that is in excess of 2% of the gross annual revenues.

(7) Municipalities shall adopt any necessary ordinances to carry out the provisions of this paragraph regarding service charges.

## VIII. PROPERTY TAX EXEMPTIONS OF §652 AND §656: ANALYSIS AND RECOMMENDATIONS.

The Committee has evaluated each property tax exemption and submits the following analysis and recommendations. Alternate recommendations are presented in Part IX, in a minority report of the Committee. The general discussions in Parts IV, V, and VI are incorporated in this analysis where applicable. Accompanying legislation is included in the Appendices. Legislation implementing the recommendations which allow a municipality to impose a service charge on certain tax exempt organizations will be introduced separately. A full text of all property tax exemptions subject to this report has been reproduced in the appendix. The total value of property exempted by 36 MRSA §652 and §656 is \$974,344,231 at 100% valuation.

### SECTION 652 EXEMPTIONS

#### A. Benevolent and Charitable Institutions

1. Representative organizations and institutions: United Way, hospitals, nursing homes, humane societies, mental health associations, Salvation Army, homes for the elderly, orphanages, YMCA and YWCA, church property (other than house of worship and parsonages) organized for benevolent and charitable purposes, etc.

2. Discussion: For a full discussion of the conditions for qualification for this exemption see the text of §652, sub-§1, ¶A and ¶C in the appendix. The rationale for this exemption is often based on the public nature of the services which they provide. It is said that these services would have to be provided by governmental units if private institutions were not performing them. In other instances they are providing a service

in which the state has a genuine interest. If tax exempt status were not provided many of these organizations would take their state or municipal supplements to pay for those services, merely shuffling money around in circles.

On the other hand, these institutions often require extensive municipal services without providing revenue for them. They also may service a wide group of citizens and yet burden the tax base of a much smaller group where the actual physical location of the institution is.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$154,145,419

Estimated tax revenue lost at universal mill rate \$2,558,813

4. Recommendations: The Committee recommends that local communities be allowed to impose a service charge, reflecting the cost of services provided by that community, on all institutions who receive a majority of their revenues from a fee for services. The municipality where the institution is located would have the option of imposing a service charge on various specified classifications of currently exempt institutions, e.g. hospitals or nursing homes.

B. Literary and scientific institutions

1. Representative organizations and institutions. Private educational institutions, theological seminaries, housing owned by educational institutions used to house employees, libraries, museums, research foundations, agricultural fairgrounds, educational or literary associations, etc.

2. Discussion: For a full discussion of the conditions for qualifications for this exemption see the text of §652, sub-§1,

¶B and ¶C in the appendix. The rationale for this exemption is often based on the public service nature of the service they provide, a service which otherwise the government might have to assume. They are also organizations in which the government has a genuine interest. The nature of the benefits, being in the form of an exemption, is said to allow a certain amount of flexibility and self-autonomy which is beneficial to organizations of this kind.

On the other hand, these institutions often require extensive municipal services without providing revenue for them. They also often serve a wide group of citizens while creating a tax burden on the much smaller area of their immediate location.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$368,845,550

Estimated tax revenue lost at universal mill rate \$6,122,836

4. Recommendations: The Committee recommends the tax exemption be removed for buildings used primarily for employee housing. Residential housing for employees is not considered to be an exemption contemplated within the framework of this exemption. The Committee does not feel that the state should encourage these institutions to buy residential real estate for employee housing if it will remove that property from the municipal tax base.

C. American National Red Cross

1. Representative organizations and institutions. Red

## Cross Organization.

2. Discussion: The American National Red Cross has held a separate tax exemption since 1955. This tax exemption is probably unconstitutional since it applies to one named organization.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$93,090

Estimated tax revenue lost at universal mill rate \$1,545

4. Recommendations: The Committee generally felt that the American National Red Cross should retain its exemption in view of the nature of the organization and the public service it provides. However, the committee would prefer to repeal the specific separate tax exemption and allow them tax exempt status under the general benevolent and charitable exemption.

## D. Veterans Service Clubs

1. Representative organizations and institutions. 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.

2. Discussion: Currently the tax exempt status of veteran service clubs includes, in addition to their office and meeting spaces, the bar and lounge areas. Since the bar itself is not related to the purpose of the service club, it is felt that this area should not be exempt. Removal of this tax exemption would place service clubs which operate bars in the same category as fraternal lodges which operate bars. The Committee could see no reason for the current distinction between service clubs which operate bars and fraternal lodges which operate bars.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$7,250,902

Estimated tax revenue lost at universal mill rate \$120,364

4. Recommendations: (a) The Committee recommends the statute be amended to include the conditions for tax exemption which apply to fraternal lodges concerning the use of the building. (b) In order to clarify qualification requirements for eligibility for tax exempt status and to insure that certain minimum standards apply to all institutions and organizations which qualify for tax exempt status, the Committee recommends that the following conditions for tax exemptions be included:

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

(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 that

(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.

#### E. Chambers of Commerce and Boards of Trade

1. Representative organizations and institutions. Chambers of commerce, boards of trade.

2. Discussion: The Committee felt that although the activities of these organizations benefit the community, they operate mainly for the benefit of the members of the organization. In view of this, an optional service charge reflecting the cost of services provided, may be a manner in which these organizations can compensate the community for the services which they require from the community.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$2,074,681

Estimated tax revenue lost at universal mill rate \$34,439

4. Recommendations: (a) The Committee recommends that local communities be allowed to impose a service charge, reflecting the cost of services provided, similar to \$652, sub-\$1, ¶L. The municipality would have the option of imposing this service charge. (b) In order to clarify the requirements for eligibility for tax exempt status and to insure that certain minimum standards apply to all institutions and organizations which qualify for tax exempt status, the Committee recommends that the following conditions for exemption be included:

(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; and that

(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 that



(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.

F. Houses of religious worship and parsonages

1. Representative organizations and institutions. Churches and parsonages.

2. Discussion: Proponents of religious tax exemptions claim that failure to provide a tax exemption for religious property would violate the free exercise clause of the U. S. Constitution. Opponents contend that such an exemption is an impermissible establishment of religion. The dichotomy is inherent in the First Amendment to the Federal Constitution. The only definitive statement the Supreme Court has made is that it is not an impermissible establishment of religion if religious property is exempt from taxation as a part of a general scheme of tax exemptions for benevolent and charitable institutions. (Walz vs. Tax Commission of the City of New York.)

Most religious property which is not exempted under this paragraph is incorporated as a benevolent and charitable institution.

Churches and parsonages do require municipal services. There has been considerably more opposition to parsonage exemptions than to church building exemptions. In Maine, an unlimited number of parsonages may be exempt.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$192,537,236

Estimated tax revenue lost at universal mill rate \$3,196,118

4. Recommendations: The Committee recommends that this exemption be retained.

G. Tombs and rights of burial

1. Representative organizations and institutions. Private cemeteries.

2. Discussion: (The Committee feels that some people have already been taxed to death and considers this a dead issue.)

3. Cost of retaining the provision in 1977. (No data available.)

4. Recommendations: Since there are few, if any, municipal services provided a cemetery, the Committee recommends retention of this exemption.

H. Fraternal organizations

1. Representative organizations and institutions. Moose Lodge, Elks, Odd Fellow, Rebeccas, Masons, Grange, etc.

2. Discussion: Membership requirements for some fraternal organizations are discriminatory. It is not the State's policy to encourage or assist organizations which practice discrimination. On the other hand there are many fraternal organizations which provide benefits to the communities where they are located and provide other services which are of benefit to the public. It is felt that the municipality where the fraternal organizations are located is best able to judge the extent of the benefit which the fraternal organizations provide to that community. Accordingly the committee feels that each community should be able to decide if a service charge, reflecting the cost of the services provided, should be imposed on the fraternal organizations in that community.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$20,973,111

Estimated tax revenue lost at universal mill rate \$348,153

4. Recommendations: (a) The Committee recommends that local communities be allowed to impose a service charge, reflecting the cost of services provided. The municipality would have the option of imposing this service charge. (b) In order to clarify the qualification requirements for eligibility for tax exempt status and to insure that certain minimum standards apply to all institutions and organizations which qualify for tax exempt status, the committee recommends that the following conditions for tax exemption be included:

(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; and that

(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 that

(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.

I. Certain colleges offering degree in Bachelor of Science or Bachelor of Arts

1. Representative organizations and institutions. Colleges authorized to confer the degree of bachelor of arts or bachelor of science and having real estate liable to taxation, provided the real estate was not bought after April 12, 1899.

2. Discussion: This paragraph provides for reimbursement of tax paid up to \$1,500. This paragraph appears unnecessary in that qualifying institutions would also be tax exempt as literary and scientific institutions.

No applications for reimbursement have been processed by the State Treasurer for at least 5 years.

3. Cost of retaining the provision in 1977. (Cost is included in literary and scientific institutions.)

4. Recommendations: The Committee recommends repealing this exemption.

J. Certain property owned by one or more of the previous organizations

1. Representative organizations and institutions. This exemption includes situations where one exempt organization leases space in its exempt building to another exempt organization. In spite of the commercial nature of this venture, both organizations retain their property tax exemption.

2. Discussion: This exemption appears logical unless one of the organizations is required to pay a service charge pursuant to a recommendation of this Committee.

3. Cost of retaining the provision in 1977. (No data

available. Value of property was reflected in previous totals.)

4. Recommendations. The Committee recommends that if either organization would be required to pay a service charge prior to the lease arrangement, that service charge will accrue to the owner of the property. If the owner would have been liable for a service charge, the owner still would be liable. If the owner was formerly tax exempt for that portion of his property, the lessor may pass on the service charge to the lessee, in which case the lessee would still be paying the normal service charge.

K. Real and personal property leased by a hospital, health maintenance organization or blood bank

1. Representative organizations and institutions. Manufacturers and suppliers of hospital equipment.

2. Discussion: The immediate beneficiary of this exemption are lessors who are private profit-making firms or corporations. If this exemption were repealed, it can be assumed that the increase in the cost of doing business will be reflected in the terms of the leasing arrangement.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$91,917,874

Estimated tax revenue lost at universal mill rate \$1,525,836

4. Recommendations: The Committee felt that this direct exemption to a private, profit-making firm did not qualify for a tax exemption under any of the rationale for exemptions. It is also not clear why the exemption was not permitted for equipment leased by tax-exempt organizations other than hospitals, health maintenance organizations or blood banks. Even though a cost increase may eventually result, the Committee recommends repeal of this exemption.

## SECTION 656 EXEMPTIONS

### A. Public water suppliers

1. Representative organizations and institutions. Water companies.

2. Discussion: This exemption provides a tax exemption for equipment of water companies if the municipality takes water therefrom for the extinguishment of fires without charge. The Committee felt that this was an arrangement which could be entered into by the municipality at its option which essentially substituted the cost of the water taken for a property tax. This seems to be a fair exchange of value for value rather than a source of revenue loss or tax burden shift to the municipality. It is similar to a situation which existed previously when a municipality was authorized to exempt a water company from taxes in exchange for water for municipal purposes at no charge.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$26,880,276

Estimated tax revenue lost at universal mill rate \$446,212

4. Recommendations: The Committee recommends that this tax exemption be retained.

### B. Mines of gold, silver, or other metals

1. Representative organizations and institutions. Companies which mine minerals in Maine are exempt from property taxes for 10 years. (One company is the Kerramerica Mines of Blue Hill which was mining zinc and some copper until it suspended operations in October 1977.)

2. Discussion: There is currently a renewed interest in

mining in Maine and some exploration is being done for new mining possibilities. Although this tax exemption is preferential treatment for one type of industry, mining incurs heavy capital costs in its initial operation. It is a capital intensive investment area and, as such, will eventually increase the tax base where it is located. The current exemption does not apply to the lands or the surface improvements of the mines, and only applies for a period of 10 years after a mine has opened or is in the process of development.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$357,100

Estimated tax revenue lost at universal mill rate \$5,927

4. Recommendations: In view of the unique nature of mining operations and the limited nature of the exemption both in scope of property exempted and the duration of the exemption, the committee recommends that this exemption be retained. It is hoped that this will encourage the development of mining in Maine.

C. Private airport landing areas.

1. Representative organizations and institutions. Private airstrips, approved by the Maine Aeronautics Commission, when owner grants free use of the airstrip to the public.

2. Discussion: This exemption only includes the airstrip proper. It is an encouragement for private airstrip owners to keep their landing areas in shape for emergency landing use.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$378,452

Estimated tax revenue lost at universal mill rate \$6,282

4. Recommendations: The Committee recommends that this

exemption be retained.

D. Water or air pollution control facilities

1. Representative organizations and institutions. Industrial or manufacturing firms required to install pollution control equipment and facilities by state and federal regulations.

2. Discussion: Pollution control equipment is non-productive equipment which has generally been installed by statutory requirements for the benefit of the public rather than the company. A tax exemption may encourage those companies to exceed the minimum compliance standards. Generally smaller industries are not benefited by this exemption.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$108,365,140

Estimated tax revenue lost at universal mill rate \$1,798,861

4. Recommendation: The Committee recommends that this exemption be retained.

E. Fallout shelters

1. Representative organizations and institutions. Private or commercial facilities with approved fallout shelters.

2. Discussion: This provides for a maximum exemption of \$200 times the number of occupants the fallout shelter is designed to accomodate.

3. Cost of retaining the provision in 1977.

Value of exempt property at 100% valuation \$525,400

Estimated tax revenue lost at universal mill rate \$8,721

4. Recommendations: The Committee recommends that this exemption be repealed.



## F. Solar Energy Equipment

1. Representative organizations and institutions. Any person installing solar energy equipment as specified.

2. Discussion: This provision was recently enacted as an inducement to encourage experimentation of solar energy systems as an alternate energy source in Maine. It expires January 1983.

3. Cost of retaining the provision in 1977. (No data available yet.)

4. Recommendations: In view of its recent enactment which makes evaluation premature and in view of its self-termination, the Committee recommends retention of this exemption.

## IX. MINORITY REPORT OF THE COMMITTEE

Property tax exemptions have become an ever-increasing subject of controversy within this State. Equally valid arguments have been presented to retain the current tax exemptions or to repeal or limit them. The heart of the issue, however, is not in evaluating the justification for an exemption. The crucial question is "Who should grant the exemption?" It is not the intent of the minority to question the justification for any tax exemption; but rather to question the wisdom of one level of government granting a tax exemption which another level of government must pay.

Minority recommendations: (1) Legislation should be introduced that will abolish all state mandates of property tax exemptions and allow the voters of a municipality to determine which organizations within its boundaries will be granted a property tax exemption. (2) Legislation should be

introduced to enable municipalities to impose a service charge on institutions and organizations which are tax exempt, if so determined by the voters of that municipality.

#### X. CONCLUDING STATEMENT

The Joint Standing Committee on Taxation feels that a review of the statutory tax exemptions serves to benefit the people of this State and recommends that the review process be continued. Accordingly, the Committee is submitting legislation to amend the existing review procedures to require a review of the selected tax exemption provisions every four years. In this way, the legislative policy on tax exemptions can be kept current with the changing conditions of our society and more accurately reflect the needs of the people of Maine.

## APPENDIX

- A. Review of Statutory Provisions, Title 36, Chapter 31.
- B. Memo from State Tax Assessor of February 2, 1979,  
concerning the Review of Property Tax exemptions in  
§652 and 656 containing:
  - 1. General discussion,
  - 2. Percent of exempt property values compared to  
tax shift burden,
  - 3. Total value of exempt properties by category,  
1977,
  - 4. Exempt property valuation of selected communities.
- C. Report on Spending Limitations, Table IX
- D. Compensatory Policies in other states.
- E. Effect of tax exemptions on school subsidy index  
for 1979-80
- F. Proposed legislation

## APPENDIX A

## CHAPTER 31

### REVIEW OF STATUTORY PROVISIONS

Sec.

- 2601. Review of statutory provisions.
- 2602. Committee review reports.
- 2603. Contents of report.

#### § 2601. Review of statutory provisions

The following statutory provisions shall be reviewed according to the schedule below:

##### 36. Title 36.

- A. Title 36, sections 653, 654 and 655, as amended, shall be reviewed by January 1, 1982;
- B. Title 36, sections 652 and 656, as amended, shall be reviewed by January 1, 1979;
- C. Title 36, section 1760, subsections 3 to 14, 24 and 30 to 38, as amended, shall be reviewed by January 1, 1981; and
- D. Title 36, section 1760, subsections 15 to 23 and 25 to 29, as amended, shall be reviewed by January 1, 1980.

#### § 2602. Committee review reports

Any legislative committee having jurisdiction over a statutory provision listed in section 2601 shall prepare and submit to the Legislature, within 30 legislative days after the convening of the first regular session after the date set out in section 2601 for review of that provision, a report evaluating the advisability of retaining the statutory provision. The appropriate departments of State Government are respectfully requested to provide all necessary assistance in preparing the report required by section 2603 and other statutory sections.

#### § 2603. Contents of report

1. **Report.** A report prepared pursuant to section 2602 shall include:

- 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; and
- E. 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.

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

## APPENDIX B

# STATE OF MAINE

Inter-Departmental Memorandum Date February 2, 1979

Chairman,  
To Joint Standing Committee on Taxation Dept. \_\_\_\_\_  
From R. L. Halperin, State Tax Assessor Dept. Taxation  
Subject Review of Property Tax Exemptions - Section 652 & 656

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We have analyzed the categories of real estate exempt from the property tax pursuant to Section 652 and 656, Title 36 MRSA as outlined in your letter of January 22, 1979.

The categories of exempt property were analyzed using the data reported by the assessor(s) of the municipalities to the State Tax Assessor - nine cities, fifty towns and ten plantations. Emphasis was extended to the exempt property values by category in the selection of municipalities for this examination.

It is important to realize that the valuations of exempt properties reported by the municipalities are the result of inexperienced estimates in most cases. The state-wide average ratio and tax rate causes some deviation in results. Nevertheless the information contained on the attached schedules gives an acceptable picture of the status and effect of property tax exemptions in this state.

We discovered that the tax shift burden of categorically exempt property values to the value of taxable property values are predominantly at the 0 to 3 percent level in the plantations and small towns, although the exempt property in the City of Saco is 3 percent. In larger towns and the cities, it appears that the tax base is capable of absorbing the tax exempt property burden with less effect on the tax shift than the smaller towns. We find that the Town of Orono experiences greater value in tax exempt property (56.6 million) than the value of taxable property (38.8 million). This disparity is due to the University of Maine at Orono.

On a state-wide basis, the total tax exempt property by category (Sections 652 & 656) is \$974.3 million when compared to taxable property values of \$10.9 billion. This represents an eight percent shift in tax exempt property values to the taxable property owners which equates to \$15.6 million in tax shift.

From an administrative point of view we are not in a position to defend any exemptions. The basis for these exemptions is a matter of legislative policy rather than administrative logic. As a matter of fact it should be pointed out that a recent opinion of the Attorney General raises some doubt as to the constitutionality of partial exemptions. It would appear that some of the exemptions in 36 MRSA, sections 652 and 656 are partial and subject to similar concern.

The only particular administrative concern which is worthy of your consideration involves the exemption for houses of religious worship.

Recently some problems have arisen as a result of thinly veiled attempts at tax evasion by individuals claiming to be clergymen of religious societies. The Temple of Bacchus in Wells, Maine is a typical example. While it is possible that the courts will resolve the problems of questionable religious societies a more direct approach would be through a clear statement of law.

RLH:cl

Enclosures

cc Representative James Silsby  
Peter Schwindt, Legislative Assistant



## EXHIBIT A

Percent of Exempt Property Values Compared to Tax Shift Burden

Percent Exempt Values	Tax Shift/ City	Tax Shift/ Town	Tax Shift/ Plantation
0-1	\$103,000/1 (Saco)	\$10,450/32	\$495/10
4-8	\$220,338/4 Auburn, Augusta Bath, Belfast	\$48,788/7	----
9-15	\$1,890,000/2 Bangor Portland	\$91,099/9	----
16-25	\$910,519/2 Lewiston Presque Isle	\$36,670/2	----
26-35			
36-		\$690,700/1 (Orono)	
	Cities 9	Towns 50	Plantations 10

Analysis - Exempt Properties - 1977

Reported by Municipalities

Exempt Value 100%  
Sections 652/656

1. Benevolent/ Charitable	\$ 154,145,419	\$ 2,558,813
2. Literary Scientific	368,845,550	6,122,836
3. American National Red Cross	93,090	1,545
4. Veteran Service Clubs	7,250,902	120,364
5. Chambers of Commerce Boards of Trade	2,074,681	34,439
6. House of Worship Parsonage	192,537,236	3,196,118
7. Tombs, Rights of Burial	Not Reported	
8. Fraternal Organizations Lodges	20,973,111	348,153
9. Colleges Literary/Scientific	See #2	
10. Property Owners & occupied other foregoing	Not Reported	
11. Hospitals	91,917,874	1,525,836
12. Public water supply	26,880,276	446,212
13. Mines, gold, silver baser metals	357,100	5,927
14. Landing Area Private Airports	378,452	6,282
15. Water/Air Pollution Control Facilities	108,365,140	1,798,861
16. Fallout Shelters	525,400	8,721
17. Solar Energy equipment	No data available - recent legislation	
	974,344,231	16,174,107
<u>State total exempt property</u>	\$2,906,979,647	\$48,255,862

6	7	8	9	10	11	
EFF TAX RATE	LOCAL TAX RATE	RATE SHT	TAX SHT CER EXEMPT SHT X ADJUST	TAX SHT RATE X ASS SHT X VAL.	% EXEMPT/ ASSESS VALUE	
COL 5 + COL 4		COL 7 - COL 6	COL 6 X COL 3	COL 3 X COL 1		
0388	0404	0016	228 <sup>2</sup> / <sub>8</sub>	228 <sup>2</sup> / <sub>8</sub>	2	C
0328	0383	0055	1311 <sup>2</sup> / <sub>4</sub>	1311 <sup>2</sup> / <sub>4</sub>	17	C
0263	027	0007	17 <sup>8</sup> / <sub>3</sub>	17 <sup>8</sup> / <sub>3</sub>	3	
0226	023	0004	7 <sup>8</sup> / <sub>3</sub>	8 <sup>5</sup> / <sub>11</sub>	2	
0153	017	0017	83 <sup>2</sup> / <sub>3</sub>	86 <sup>3</sup> / <sub>3</sub>	11	
0313	033	0017	36 <sup>3</sup> / <sub>5</sub>	36 <sup>4</sup> / <sub>3</sub>	5	
0125	0139	0014	8 <sup>7</sup> / <sub>3</sub>	8 <sup>6</sup> / <sub>6</sub>	12	
0299	037	0071	507 <sup>6</sup> / <sub>11</sub>	509 <sup>7</sup> / <sub>5</sub>	24	C
0191	0225	0034	15 <sup>9</sup> / <sub>3</sub>	15 <sup>7</sup> / <sub>3</sub>	18	
0176	0178	0002	13 <sup>9</sup> / <sub>4</sub>	14 <sup>4</sup> / <sub>3</sub>	1	
0208	021	0002	12 <sup>6</sup> / <sub>3</sub>	10 <sup>2</sup> / <sub>3</sub>	1	
0290	0333	0033	2670 <sup>1</sup> / <sub>3</sub>	2670 <sup>5</sup> / <sub>4</sub>	12	C
0068	0069	0000	13 <sup>1</sup> / <sub>2</sub>	13 <sup>1</sup> / <sub>4</sub>	1	
0112	0115	0003	3 <sup>0</sup> / <sub>5</sub>	3 <sup>3</sup> / <sub>3</sub>	2	
0243	0272	0029	185 <sup>4</sup> / <sub>5</sub>	186 <sup>4</sup> / <sub>3</sub>	12	
0132	014	000044	8 <sup>1</sup> / <sub>9</sub>	8 <sup>1</sup> / <sub>5</sub>	0.3	
0499	056	0061	29 <sup>2</sup> / <sub>5</sub>	29	12	D

EXHIBIT C-2

		1	2	3	4	5	6	7	8	9	10	11	12
		ASSESSED VALUE	VALUE EXEMPT SEC 63/656	ADJUST EXEMPT COL 2 X CR	TOTAL PROPERTY VALUE COL 1 + COL 3	TAX COMMITTED	EFF TAX RATE COL 5 ÷ COL 4	LOCAL TAX RATE	RATE SHIF COL 7 - COL 6	TAX SHIF EFF TAX TAX X ADJUST COL 6 X COL 3	TAX SHIF DATE SHIF X VAL COL 8 X COL 1	% EXEMPT/ ASSESSED VALUE	
P	BANGOR	57	207516 <sup>5</sup> / <sub>10</sub>	50085 <sup>5</sup> / <sub>10</sub>	28508 <sup>5</sup> / <sub>10</sub>	236065 <sup>5</sup> / <sub>10</sub>	9172 <sup>3</sup> / <sub>10</sub>	038 <sup>5</sup> / <sub>10</sub>	0442	001 <sup>3</sup> / <sub>10</sub>	1109 <sup>5</sup> / <sub>10</sub>	1109 <sup>5</sup> / <sub>10</sub>	13 C
E													
N	CARROLL PLT	25	974 <sup>4</sup> / <sub>10</sub>	8 <sup>7</sup> / <sub>10</sub>	9 <sup>7</sup> / <sub>10</sub>	975 <sup>4</sup> / <sub>10</sub>	35 <sup>8</sup> / <sub>10</sub>	035 <sup>8</sup> / <sub>10</sub>	036	000 <sup>3</sup> / <sub>10</sub>	3 <sup>6</sup> / <sub>10</sub>	3 <sup>5</sup> / <sub>10</sub>	P
O													
B	EAST MILLNOCKET	100	79356 <sup>5</sup> / <sub>10</sub>	1486 <sup>7</sup> / <sub>10</sub>	1486 <sup>7</sup> / <sub>10</sub>	80842 <sup>5</sup> / <sub>10</sub>	1537 <sup>3</sup> / <sub>10</sub>	019 <sup>5</sup> / <sub>10</sub>	020	000 <sup>3</sup> / <sub>10</sub>	29 <sup>1</sup> / <sub>10</sub>	29 <sup>2</sup> / <sub>10</sub>	2
S													
C	LINCOLN	60	47047 <sup>7</sup> / <sub>10</sub>	7048 <sup>7</sup> / <sub>10</sub>	4228 <sup>7</sup> / <sub>10</sub>	51276 <sup>3</sup> / <sub>10</sub>	1176 <sup>1</sup> / <sub>10</sub>	022 <sup>7</sup> / <sub>10</sub>	025	002 <sup>8</sup> / <sub>10</sub>	97 <sup>0</sup> / <sub>10</sub>	97 <sup>0</sup> / <sub>10</sub>	9
O													
T	MEDWAY	100	16970 <sup>1</sup> / <sub>10</sub>	8 <sup>8</sup> / <sub>10</sub>	8 <sup>8</sup> / <sub>10</sub>	16978 <sup>1</sup> / <sub>10</sub>	298 <sup>6</sup> / <sub>10</sub>	017 <sup>9</sup> / <sub>10</sub>	0176	000 <sup>8</sup> / <sub>10</sub>	5 <sup>4</sup> / <sub>10</sub>	5 <sup>2</sup> / <sub>10</sub>	-
	ORONO	62	38803 <sup>7</sup> / <sub>10</sub>	90400 <sup>4</sup> / <sub>10</sub>	56468 <sup>4</sup> / <sub>10</sub>	95471 <sup>7</sup> / <sub>10</sub>	1164 <sup>0</sup> / <sub>10</sub>	012 <sup>7</sup> / <sub>10</sub>	030	0178	691 <sup>3</sup> / <sub>10</sub>	690 <sup>0</sup> / <sub>10</sub>	146
	PRENTISS PLT	50	3096 <sup>3</sup> / <sub>10</sub>	2 <sup>0</sup> / <sub>10</sub>	1 <sup>3</sup> / <sub>10</sub>	310 <sup>6</sup> / <sub>10</sub>	38 <sup>3</sup> / <sub>10</sub>	123 <sup>8</sup> / <sub>10</sub>	124	000 <sup>3</sup> / <sub>10</sub>	6 <sup>0</sup> / <sub>10</sub>	6 <sup>0</sup> / <sub>10</sub>	P
	WINN	100	4391 <sup>0</sup> / <sub>10</sub>	113 <sup>3</sup> / <sub>10</sub>	113 <sup>3</sup> / <sub>10</sub>	4504 <sup>3</sup> / <sub>10</sub>	50 <sup>0</sup> / <sub>10</sub>	011 <sup>1</sup> / <sub>10</sub>	0114	000 <sup>2</sup> / <sub>10</sub>	1 <sup>3</sup> / <sub>10</sub>	1 <sup>0</sup> / <sub>10</sub>	2
P	DOVER-FOXCROFT	100	41736 <sup>3</sup> / <sub>10</sub>	4325 <sup>8</sup> / <sub>10</sub>	4325 <sup>8</sup> / <sub>10</sub>	46062 <sup>8</sup> / <sub>10</sub>	834 <sup>3</sup> / <sub>10</sub>	018 <sup>2</sup> / <sub>10</sub>	020	001 <sup>8</sup> / <sub>10</sub>	78 <sup>1</sup> / <sub>10</sub>	78 <sup>3</sup> / <sub>10</sub>	10
I													
S	LAKE-VIEW PLT	100	2314 <sup>8</sup> / <sub>10</sub>	8 <sup>5</sup> / <sub>10</sub>	8 <sup>5</sup> / <sub>10</sub>	2322 <sup>8</sup> / <sub>10</sub>	60 <sup>4</sup> / <sub>10</sub>	025 <sup>8</sup> / <sub>10</sub>	020	000 <sup>8</sup> / <sub>10</sub>	3 <sup>3</sup> / <sub>10</sub>	3 <sup>9</sup> / <sub>10</sub>	3 P
C													
A	SANGERVILLE	100	3757 <sup>0</sup> / <sub>10</sub>	5 <sup>0</sup> / <sub>10</sub>	5 <sup>0</sup> / <sub>10</sub>	3808 <sup>0</sup> / <sub>10</sub>	115 <sup>3</sup> / <sub>10</sub>	030 <sup>8</sup> / <sub>10</sub>	0307	000 <sup>4</sup> / <sub>10</sub>	1 <sup>5</sup> / <sub>10</sub>	1 <sup>4</sup> / <sub>10</sub>	1
T													
Q	WILLIMANTIC	50	10073 <sup>7</sup> / <sub>10</sub>	5 <sup>0</sup> / <sub>10</sub>	2 <sup>0</sup> / <sub>10</sub>	10102 <sup>3</sup> / <sub>10</sub>	60 <sup>5</sup> / <sub>10</sub>	059 <sup>1</sup> / <sub>10</sub>	000	000 <sup>6</sup> / <sub>10</sub>	1 <sup>0</sup> / <sub>10</sub>	1 <sup>0</sup> / <sub>10</sub>	2
U													
I													
S	BATH	95	132506 <sup>0</sup> / <sub>10</sub>	12417 <sup>9</sup> / <sub>10</sub>	11797 <sup>0</sup> / <sub>10</sub>	144303 <sup>9</sup> / <sub>10</sub>	3180 <sup>6</sup> / <sub>10</sub>	022 <sup>3</sup> / <sub>10</sub>	024	001 <sup>9</sup> / <sub>10</sub>	259 <sup>4</sup> / <sub>10</sub>	259 <sup>9</sup> / <sub>10</sub>	3 C
A													
C	TOPSHAM	80	58540 <sup>3</sup> / <sub>10</sub>	3741 <sup>0</sup> / <sub>10</sub>	2772 <sup>4</sup> / <sub>10</sub>	61533 <sup>8</sup> / <sub>10</sub>	11144 <sup>4</sup> / <sub>10</sub>	018 <sup>5</sup> / <sub>10</sub>	0195	000 <sup>8</sup> / <sub>10</sub>	55 <sup>6</sup> / <sub>10</sub>	55 <sup>2</sup> / <sub>10</sub>	5
D													
A	WOOLWICH	50	10605 <sup>8</sup> / <sub>10</sub>	149 <sup>0</sup> / <sub>10</sub>	74 <sup>0</sup> / <sub>10</sub>	10680 <sup>3</sup> / <sub>10</sub>	387 <sup>1</sup> / <sub>10</sub>	036 <sup>2</sup> / <sub>10</sub>	0365	000 <sup>3</sup> / <sub>10</sub>	2 <sup>0</sup> / <sub>10</sub>	2 <sup>0</sup> / <sub>10</sub>	7
H													
C													

EXHIBIT C-3

	1	2	3	4	5
	ASSESSED	VALUE	ADJUST	TOTAL	TAX
	CR	VALUE	EXEMPT	PROPERTY	COMMITTED
		EXEMPT	EXEMPT	VALUE	
		SECT 65/65B	COL 2 X CR	COL 1 + COL 3	
BRIGHTON PLT	62	248 <sup>9</sup> / <sub>3</sub>	3 <sup>0</sup> / <sub>0</sub>	300 <sup>1</sup> / <sub>3</sub>	30 <sup>6</sup> / <sub>0</sub>
CARATUNK PLT	52	1257 <sup>3</sup> / <sub>3</sub>	6 <sup>0</sup> / <sub>0</sub>	1254 <sup>3</sup> / <sub>3</sub>	35 <sup>6</sup> / <sub>0</sub>
HARMONY	25	592 <sup>4</sup> / <sub>3</sub>	11 <sup>5</sup> / <sub>0</sub>	595 <sup>6</sup> / <sub>3</sub>	59 <sup>2</sup> / <sub>6</sub>
MADISON	10	4406 <sup>6</sup> / <sub>6</sub>	783 <sup>2</sup> / <sub>5</sub>	4484 <sup>9</sup> / <sub>0</sub>	709 <sup>4</sup> / <sub>0</sub>
PITTSFELD	100	47633 <sup>2</sup> / <sub>0</sub>	5967 <sup>4</sup> / <sub>0</sub>	53600 <sup>6</sup> / <sub>0</sub>	785 <sup>7</sup> / <sub>5</sub>
WEST FORKS PLT	100	1546 <sup>4</sup> / <sub>3</sub>	21 <sup>0</sup> / <sub>0</sub>	1567 <sup>4</sup> / <sub>3</sub>	30 <sup>5</sup> / <sub>5</sub>
BELFAST	60	5027 <sup>2</sup> / <sub>0</sub>	2819 <sup>1</sup> / <sub>0</sub>	57077 <sup>0</sup> / <sub>0</sub>	1246 <sup>9</sup> / <sub>5</sub>
ISLESBORO	60	26159 <sup>2</sup> / <sub>0</sub>	470 <sup>6</sup> / <sub>0</sub>	26580 <sup>2</sup> / <sub>0</sub>	359 <sup>6</sup> / <sub>0</sub>
LINCOLNVILLE	80	19965 <sup>2</sup> / <sub>2</sub>	117 <sup>2</sup> / <sub>0</sub>	19909 <sup>8</sup> / <sub>0</sub>	348 <sup>6</sup> / <sub>3</sub>
UNITY	60	13843 <sup>3</sup> / <sub>3</sub>	1955 <sup>0</sup> / <sub>0</sub>	15798 <sup>3</sup> / <sub>3</sub>	186 <sup>8</sup> / <sub>5</sub>
WINTERPORT	60	19042 <sup>2</sup> / <sub>5</sub>	2046 <sup>5</sup> / <sub>0</sub>	21090 <sup>2</sup> / <sub>5</sub>	835 <sup>1</sup> / <sub>0</sub>
BAILEYVILLE	50	41138 <sup>6</sup> / <sub>6</sub>	503 <sup>0</sup> / <sub>0</sub>	41390 <sup>1</sup> / <sub>1</sub>	1451 <sup>0</sup> / <sub>2</sub>
BARING PLT	100	2337 <sup>5</sup> / <sub>5</sub>	40 <sup>0</sup> / <sub>0</sub>	2377 <sup>5</sup> / <sub>5</sub>	30 <sup>3</sup> / <sub>5</sub>
GRAND LAKE STREAM	100	52159 <sup>2</sup> / <sub>0</sub>	31 <sup>8</sup> / <sub>0</sub>	5247 <sup>0</sup> / <sub>0</sub>	52 <sup>4</sup> / <sub>0</sub>
MACHIOS	55	18425 <sup>3</sup> / <sub>0</sub>	4446 <sup>5</sup> / <sub>0</sub>	2451 <sup>3</sup> / <sub>0</sub>	294 <sup>8</sup> / <sub>0</sub>
WAITE	75	879 <sup>1</sup> / <sub>4</sub>	30 <sup>0</sup> / <sub>0</sub>	895 <sup>1</sup> / <sub>4</sub>	24 <sup>4</sup> / <sub>0</sub>
WESLEY	50	309 <sup>2</sup> / <sub>2</sub>	3 <sup>0</sup> / <sub>0</sub>	350 <sup>2</sup> / <sub>2</sub>	35 <sup>7</sup> / <sub>5</sub>
CORNISH	100	11721 <sup>3</sup> / <sub>3</sub>	228 <sup>6</sup> / <sub>0</sub>	11950 <sup>2</sup> / <sub>3</sub>	128 <sup>3</sup> / <sub>3</sub>
KITTERY	60	54247 <sup>0</sup> / <sub>0</sub>	7119 <sup>0</sup> / <sub>0</sub>	4711 <sup>0</sup> / <sub>0</sub>	1871 <sup>2</sup> / <sub>5</sub>
OLD ORCHARD BEACH	96	105117 <sup>0</sup> / <sub>0</sub>	3592 <sup>1</sup> / <sub>0</sub>	3448 <sup>1</sup> / <sub>0</sub>	2417 <sup>2</sup> / <sub>5</sub>
SACO	50	76242 <sup>3</sup> / <sub>0</sub>	5237 <sup>0</sup> / <sub>0</sub>	2643 <sup>0</sup> / <sub>0</sub>	3022 <sup>4</sup> / <sub>5</sub>
YORK	100	187394 <sup>0</sup> / <sub>0</sub>	5030 <sup>0</sup> / <sub>0</sub>	5030 <sup>0</sup> / <sub>0</sub>	3058 <sup>5</sup> / <sub>8</sub>
State-wide	70	913645 <sup>2</sup> / <sub>2</sub>	974344 <sup>3</sup> / <sub>3</sub>	682040 <sup>2</sup> / <sub>2</sub>	267476 <sup>6</sup> / <sub>2</sub>
EXHIBIT C-4					

6	7	8	9	10	11	12
EFF TAX	LOCAL TAX	PLTE SHET	TAX SHET	TAX SHET	0/0	
RATE	RATE	COL 7-COL 6	EFF * EXEMPT	RATE * ASSE	EXEMPT/	
COL 5-COL 4			TEP * ADJUST	SHET * VAL	ASSES	
			COL 6 * COL 3	COL 8 * COL 1	VALUE	
100 <sup>2</sup> / <sub>5</sub>	1009	000 <sup>6</sup> / <sub>3</sub>	1 <sup>2</sup> / <sub>0</sub>	8 <sup>0</sup> / <sub>0</sub>	16	P
028 <sup>4</sup> / <sub>3</sub>	0285	000 <sup>2</sup> / <sub>9</sub>	8 <sup>5</sup> / <sub>0</sub>	8 <sup>5</sup> / <sub>0</sub>	1	P
099 <sup>5</sup> / <sub>3</sub>	100	000 <sup>4</sup> / <sub>7</sub>	3 <sup>2</sup> / <sub>0</sub>	3 <sup>2</sup> / <sub>0</sub>	4	
158 <sup>8</sup> / <sub>5</sub>	161	002 <sup>5</sup> / <sub>3</sub>	12 <sup>3</sup> / <sub>0</sub>	12 <sup>3</sup> / <sub>0</sub>	1	
014 <sup>6</sup> / <sub>5</sub>	0165	001 <sup>8</sup> / <sub>3</sub>	57 <sup>5</sup> / <sub>0</sub>	87 <sup>5</sup> / <sub>2</sub>	14	
019 <sup>2</sup> / <sub>3</sub>	0195	000 <sup>2</sup> / <sub>1</sub>	1 <sup>4</sup> / <sub>0</sub>	1 <sup>4</sup> / <sub>0</sub>	1	P
021 <sup>8</sup> / <sub>5</sub>	023	001 <sup>1</sup> / <sub>2</sub>	62 <sup>4</sup> / <sub>0</sub>	62 <sup>4</sup> / <sub>0</sub>	5	C
013 <sup>5</sup> / <sub>3</sub>	0135	000 <sup>2</sup> / <sub>9</sub>	5 <sup>6</sup> / <sub>2</sub>	5 <sup>6</sup> / <sub>2</sub>	116	
017 <sup>4</sup> / <sub>3</sub>	0175	000 <sup>0</sup> / <sub>3</sub>	1 <sup>4</sup> / <sub>0</sub>	1 <sup>4</sup> / <sub>0</sub>	4	
011 <sup>8</sup> / <sub>3</sub>	0135	001 <sup>6</sup> / <sub>3</sub>	23 <sup>5</sup> / <sub>5</sub>	23 <sup>5</sup> / <sub>5</sub>	14	
015 <sup>8</sup> / <sub>2</sub>	0176	001 <sup>7</sup> / <sub>3</sub>	32 <sup>5</sup> / <sub>2</sub>	32 <sup>5</sup> / <sub>2</sub>	10	
035 <sup>8</sup> / <sub>1</sub>	036	000 <sup>2</sup> / <sub>9</sub>	9 <sup>0</sup> / <sub>0</sub>	9 <sup>0</sup> / <sub>0</sub>	6	
012 <sup>8</sup> / <sub>0</sub>	013	000 <sup>2</sup> / <sub>9</sub>	5 <sup>1</sup> / <sub>0</sub>	5 <sup>1</sup> / <sub>0</sub>	17	P
009 <sup>4</sup> / <sub>3</sub>	010	000 <sup>0</sup> / <sub>9</sub>	3 <sup>0</sup> / <sub>0</sub>	3 <sup>0</sup> / <sub>0</sub>	2	
023 <sup>0</sup> / <sub>0</sub>	0275	003 <sup>3</sup> / <sub>3</sub>	57 <sup>6</sup> / <sub>3</sub>	57 <sup>6</sup> / <sub>3</sub>	16	
027 <sup>2</sup> / <sub>3</sub>	028	000 <sup>0</sup> / <sub>9</sub>	6 <sup>4</sup> / <sub>0</sub>	6 <sup>4</sup> / <sub>0</sub>	02	
102 <sup>2</sup> / <sub>8</sub>	103	000 <sup>4</sup> / <sub>2</sub>	1 <sup>5</sup> / <sub>0</sub>	1 <sup>5</sup> / <sub>0</sub>	4	
010 <sup>2</sup> / <sub>3</sub>	011	000 <sup>0</sup> / <sub>1</sub>	2 <sup>4</sup> / <sub>0</sub>	2 <sup>4</sup> / <sub>0</sub>	2	
031 <sup>3</sup> / <sub>2</sub>	0345	002 <sup>5</sup> / <sub>8</sub>	136 <sup>4</sup> / <sub>5</sub>	136 <sup>4</sup> / <sub>5</sub>	7	
022 <sup>0</sup> / <sub>3</sub>	023	000 <sup>0</sup> / <sub>3</sub>	76 <sup>2</sup> / <sub>3</sub>	76 <sup>2</sup> / <sub>3</sub>	3	
038 <sup>4</sup> / <sub>3</sub>	0403	001 <sup>5</sup> / <sub>1</sub>	102 <sup>2</sup> / <sub>3</sub>	103 <sup>0</sup> / <sub>0</sub>	3	C
015 <sup>1</sup> / <sub>0</sub>	0163	000 <sup>4</sup> / <sub>3</sub>	80 <sup>2</sup> / <sub>2</sub>	80 <sup>2</sup> / <sub>2</sub>	2	
023 <sup>2</sup> / <sub>3</sub>	0265	001 <sup>4</sup> / <sub>3</sub>	15732 <sup>5</sup> / <sub>3</sub>	15639 <sup>2</sup> / <sub>3</sub>		

## APPENDIX C

TABLE IX\*

SHOULD STATE PAY FOR SERVICES IT REQUIRES TOWNS AND CITIES TO PROVIDE?

(Number & Percent Distribution of Respondents)

	Number	Percent
Yes	224	56.0
No	118	29.5
Don't Know	43	10.8
Ref/NA	<u>15</u>	<u>3.7</u>
Total	400	100.0

Actual Question: "Do you think that the State should pay for the services that it requires the towns and cities to provide?"

\*From "Report on Spending Limitations" Commissioned by Maine Municipal Association, Prepared by NorMark, Inc., Falmouth, Maine, 1978.



## APPENDIX D

COMPENSATORY POLICIES IN OTHER STATES  
(From the 1975 Bureau of Public Administration  
Report on Institutional Tax Exemptions in Maine)

As part of the tax exemption study, a survey was undertaken in the summer of 1974 to determine the extent to which other states have attempted to alter the impact of exemptions by providing some form of compensation to affected municipalities. The survey revealed that relatively few states have broad-based compensatory programs. In two of the states with statutes authorizing general compensatory payments on either public or private property (*Virginia* and *New Jersey*), peculiarities of the program have severely limited their application. In only three states does the state program constitute a major ongoing fiscal effort. They are *Connecticut*, *Massachusetts*, and *Wisconsin*. *New York* permits local taxation of privately-owned property and has a distinct statute dealing with the assessment of state property.

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BROAD PROGRAMS FOR COMPENSATING MUNICIPALITIES FOR THE IMPACT OF  
EXEMPT PROPERTY ARE UNDERWAY IN ONLY SIX STATES. HOWEVER, THESE SIX  
OFFER A SUBSTANTIAL VARIETY OF POSSIBLE COMPENSATORY APPROACHES.

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The characteristics of these six major compensatory aid programs are displayed in Table 9. A substantial variety of possible approaches is reflected in the six programs. Two of these states permit local governments to determine whether to impose a tax on the exempt institutions. All six states extend coverage of payments to state property; only two have statutes permitting the levying of charges on private exempt property. In three instances a service charge approach is used, with payments being at least in part proportional to

TABLE 9  
SIGNIFICANT FEATURES OF MAJOR IMPACT AID PROGRAMS

State	Coverage		Local Option	Service-Related	Value Base	
	State	Private Non-Profit			Land	Buildings
Virginia	X	X	Yes	X	X	X
Wisconsin	X		No	X		X
New Jersey	X		No		X	
Massachusetts	X		No		X	
Connecticut	X		No		X	X
New York	X	X	Private - Yes State - No	X	X	X

selected local services. In the three remaining states (all of which limit payments to state property), payments are based on formulas or mill rates unrelated to specific service costs in the affected communities. Whether the payments are service-related or not, in all cases the size of the payments is proportional to some measure of local exempt value. In one state, only building value counts. In two states, only land values are relevant. In the remaining three states, both land and building values for exempt properties influence the amount of the payment.

### Virginia

The State of Virginia comes closest to what might be considered a general compensatory program encompassing both public and private exempt property. The Virginia program permits local governments, at their option, to assess an annual fee against owners of exempt real property, including state government agencies, but excluding religious organizations. (In practice, the Virginia program has been used primarily for state property.) The fee amounts to a partial tax on these properties. It is determined by calculating a mill rate, equal to the

ratio of police protection, fire protection, and solid waste disposal costs, to the value of all property, taxable plus exempt, in the community.

The rate is applied to the value of those exempt properties upon which the local government chooses to levy the charge. The rate of the tax to be used in figuring the service charge is limited by state law to 20 percent of the local real property tax rate. This limitation, according to a recent report to the Governor, appears to have diminished the attractiveness of the program to local decision-makers in light of the administrative costs that local communities expect to bear, if they choose the service charge option. Nevertheless, the 20 percent limit may be useful in separating out those communities that are not severely impacted. The charge is levied against government properties in two-thirds of the largest cities of the state. While data for Virginia has not been closely examined, it is likely that these cities contain the largest absolute amounts of state property. The mill rate limitation filters out highly impacted communities with high tax rates. Local mill rates in these communities must be high enough and exempt state properties extensive enough for the locality to profit from the use of the service charge. Otherwise, the charge would not be used.

#### Wisconsin

A compensatory plan recently inaugurated in Wisconsin shares one characteristic of the Virginia plan: payments are related to the costs of the police, fire protection, and solid waste disposal functions. But the Wisconsin plan applies to governmental exempt property only, and payments are made by the state government and not by the individual agencies. Furthermore, the Wisconsin plan mandates compensatory payments statewide;

there is no local option. The program seeks to apportion a share of the cost of local public safety and solid waste costs to exempt governmental properties. This is accomplished by determining the amount of such costs financed out of local revenues, and multiplying this amount by the ratio of the value of state-owned buildings in the municipality to the value of all buildings (taxable plus state-owned). This formula yields an entitlement which is paid to all communities for which a payment of over \$100 is due.

### New York

Two specific programs of New York State, one for private property and one for state property, are more restrictive than those of Virginia and Wisconsin, since the state property program applies only to acquisition costs and involves a payment that is phased out through time. On the other hand, when a new mandatory service charge approach takes effect this year, New York will have the broadest policy response to the impact of private institutional exemptions. The New York statutes call for a service charge to be levied on a specific group of non-profit organizations at the option of the municipality. The service charge is similar to that available to Virginia communities. It is, in effect, a partial tax determined by multiplying the mill rate on taxable property by a factor equal to the proportion of local expenditures for police protection; fire protection; street and highway construction, maintenance and lighting; sanitation; and water supply.

### Local Option Provision

Both Virginia and New York place the initiative for instituting compensatory payments in the hands of local government. While this may seem to be a desirable

step in the direction of local autonomy, in Virginia it appears that special interests were capable of confining the service charges to government properties while largely excluding private exempt organizations. Experience with the New York approach is too limited to date to form a generalization.

### Land-Based Payments

The use of land-based payments in New Jersey and Massachusetts provides some insight into problems with this approach. The value of land is one measure of the costs incurred by a locality when taxable land is acquired by an exempt institution, either public or private. The value times the tax rate at the time of purchase is a measure of the initial revenue loss due to the exemption. The Massachusetts and New Jersey approaches make some sense in this regard. On the other hand, basing ongoing payments only on the value of state-owned land in the municipality tends to reward communities that may have relatively low costs of servicing exempt state property. That is to say, the costs of exempt property to the community are determined not only by revenues foregone, but also by the service costs imposed by the exempt institution on the budget of the local community. Service costs are likely to be higher for state uses that are building (rather than land) intensive. For example, the presence of a state game preserve clearly does not impose the same service costs as, say, the presence of a branch of the state university. Basing payments on land values does not take this differential into account. In Massachusetts, for example, large payments are made to small communities that bear little or no cost of servicing either state-owned land or the users of state-owned land.

### Payments Based on Building Values

The Wisconsin approach bases the payment only on building values. To the extent that building values are an accurate proxy for service costs, the Wisconsin formula is rational. However, it fails to take direct account of the fact that revenues lost to the municipalities are more nearly proportionate to land than to building values. Furthermore, building values are by no means perfectly proportionate to service costs imposed on the local community. State government agencies, for example, require differing degrees of police and fire protection, road maintenance, waste collection, etc. To some extent, this problem is moderated in the Wisconsin program by the latitude available for negotiated adjustments for peculiar local circumstances. For example, adjustments to the entitlement are made in special cases where state institutions, such as branches of the state university, supply their own police and/or fire protection.

The Connecticut plan takes both building and land values into account. The plan seems attractive on this count, but the formula is complex and has no clear effect on moderating exemptions.

The full report also includes brief descriptions of a series of minor compensatory programs instituted in other states, capital cities and university communities.

## APPENDIX E



THE EFFECT ON THE SCHOOL SUBSIDY INDEX  
OF INCLUDING THE VALUE OF PROPERTY EXEMPTED  
BY §652 AND §656 IN THE TAXABLE PROPERTY BASE

If the 1979 State Valuation were to increase by \$974.3 million the subsidy index could be reduced to 9.0 mills and produce the same local allocation as 9.6 mills does using \$16 million.

1979 State Valuation + Tax Exempt Property

\$16,055,200,000 + \$974,300,000 = \$17,029,500,000

x 9.6 mills  
154,129,920  
less 6,100,000

\$ 148,029,920

pay in loss

local allocation

x 9.0 mills  
153,265,500  
less 5,400,000

\$ 147,165,000

## APPENDIX F

*Com on Taxation  
present to 7/8/80  
260*

An Act to Amend Certain Property Tax Exemptions and  
to Require Continuing Periodic Review of Tax Exemptions.

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

Sec. 1. 1 MRSA §2601, as enacted by PL 1977, c. 696, §15,

is amended to read:

§2601. Review of statutory provisions

The following statutory provisions shall be reviewed according  
to the schedule below:

36. Title 36.

A. Title 36, sections 653, 654 and 655, as amended, shall  
be reviewed by January 1, 1982, and every 4 years thereafter;

B. Title 36, sections 652 and 656, as amended, shall be  
reviewed by January 1, 1979, and every 4 years thereafter;

C. Title 36, section 1760, subsections 3 to 14, 24 and  
30 to 38, as amended, shall be reviewed by January 1,  
1981, and every 4 years thereafter; and

D. Title 36, section 1760, subsections 15 to 23 and 25  
to 29, as amended, shall be reviewed by January 1, 1980,  
and every 4 years thereafter.

Sec. 2. 36 MRSA §652, sub-§1, ¶B is amended by adding at  
the end the following new sentence:

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.

Sec. 3. 36 MRSA §652, sub-§1, ¶D is repealed as follows:

~~B.---The-real-estate-and-personal-property-owned-and-occupied-or-used  
solely-for-their-own-purposes-by-the-American-National-Red-Cross  
and-its-chapters-in-this-State;~~

Sec. 4. 36 MRSA §652, sub-§1, ¶E, as amended by PL 1967,  
c. 64, is further amended to read:

The real estate and personal property owned and occupied or-used-solely-for-their-own-purposes 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, ceremonies, 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.

Sec. 5. 36 MRSA §652, sub-§1, ¶F is amended by inserting at the end the following:

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.

Sec. 6. 36 MRSA §652, sub-§1, ¶H is amended by inserting at the end the following:

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.

Sec. 7. 36 MRSA §652, sub-§1, ¶I, as amended by PL 1975, c. 771, §402, is repealed.

Sec. 8. 36 MRSA §652, sub-§1, ¶K, as enacted by PL 1973, c. 719, is repealed.

Sec. 9. 36 MRSA §656, sub-§1, ¶F is repealed.

Statement of Fact

Taxation's

This legislation is a result of the Joint Standing Committee on/  
report on certain property tax exemptions pursuant to Title 1,  
chapter 31, and provides the following.

Currently, the property and sales tax exemptions are reviewed  
over a 4-year period. This bill will require a continuing periodic  
review of those exemptions.

The bill eliminates the tax exemption on buildings owned by  
scientific or literary institutions if those buildings are used  
primarily for employee housing.

The bill repeals the specific tax exemption for the Red Cross.  
The Red Cross will still be eligible for tax exemption as a  
benevolent and charitable institution.

Also, the bill brings the conditions for veterans' exemptions  
in line with those of fraternal organizations and with other  
exemption sections of the law.

The bill sets out conditions for exemption relating to the  
nonprofit nature of chambers of commerce and boards of trade.

<sup>bill</sup>  
The/ sets out conditions of exemption relating to the nonprofit  
nature of fraternal lodges.

<sup>bill</sup>  
The/repeals the tax exemption for colleges authorized to confer  
the degrees of ~~B~~achelor of ~~A~~rts or ~~B~~achelor of ~~S~~cience, and having  
real estate liable to taxation, provided the real estate was not  
bought after April 12, 1899. It appears that qualifying institutions  
would also be exempt as a literary or scientific institution. This  
exemption has not been used for a number of years.

The bill repeals the tax exemption for corporations or firms  
who lease equipment to hospitals. Property owned by hospitals is  
still exempt under other provisions of <sup>the</sup> law.

The bill repeals the tax exemption for fallout shelters.