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Loud Message on Tax Reform Day

Property taxes, property taxes and property taxes were the focus of most of the testimony on Tuesday this week when an overflow crowd jammed into the Taxation Committee room to give testimony on a cluster of half-scale and full-scale tax reform bills that were formally and at long last presented to the Legislature. Property taxpayers and selectmen, town managers and councilors, social service advocates and a smattering of business interests invested a long afternoon into the evening in the marathon public hearing. Tons of written testimony must have been submitted as well, by people who could not endure the long wait to get to the podium.

Senate Chair of Taxation, Steve Stanley (Penobscot Cty.), pronounced the public hearing as “Day One of tax reform in Maine”, and the Committee has scheduled immediate work sessions on the project. The impression is created that the Committee has finally processed enough of the non-reform tax legislation so that it can concentrate on this most important project. Among the 10 separate bills presented to the Taxation Committee, was the citizen initiative originally developed by a group of municipal officials acting through MMA.

LD 1372, *An Act to Enact the School Finance and Tax Reform Act of 2003*, was presented to the Tax Committee by the Town Manager of Mechanic Falls, Dana Lee, who also serves as the president of the coalition of interests that is now advocating for this citizen-initiated measure (Citizens to Reduce Local Property Taxes State-wide).



Irv Marsters of Glenburn rallies the tax reform troops.



Dana Lee, Mechanic Falls Town Manager

LD 1372 is designed to bring the Legislature to the door of comprehensive tax reform, but does not presume to overtake that process, leaving to the Legislature the actual redesign of the tax code. LD 1372 is a blueprint that lays down the foundation principles of tax reform in Maine for the voters' consideration.

As described by Lee to the Tax Committee, LD 1372 has four components. It calls for: *sustained property tax relief* by requiring the state to meet a long unfulfilled “intention” to provide 55% of the cost of kindergarten-through-grade-12 public education. It call for *comprehensive tax reform* through redesigning the tax code both to meet that unfulfilled school funding

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TAX REFORM (cont'd)

obligation and to bring balance, predictability and stability to the entire tax system. LD 1372 invests in creative educational and local government *re-structuring* opportunities to find efficiencies, and it would direct the development of a collaborative plan, to be adopted by the Legislature, to *reduce* Maine's overall tax burden.

As well as describing the plan, Lee made the observation that nearly 100,000 voters from one end of the state to the other – a record number of signatures for the Maine – signed the initiative in order to move the question to the Legislature and the November 4, 2003 ballot box if necessary. Lee also asked the Committee to refrain from attaching a “competing measure” to the ballot question, creating a three-way voting option which the *Citizens* group believes would only serve to frustrate the obvious intent of the Maine electorate to accomplish a tax overload.

Among the 9 other bills presented to the Taxation Committee, there were only 3 tax reform proposals that could truly be characterized as comprehensive in nature. A comprehensive reform package gets inside the entire tax code and addresses both the tax rate and the tax base of Maine's three major taxes in order to modernize the tax structure and re-balance the burden.

One of those tax reform packages is the work of Rep. Barney McGowan (Pittsfield) that is found in a two-bill combination: LD 784, *Resolution, Proposing an Amendment to the Constitution of Maine To Allow the Legislature*



Rep. Barney McGowan

To Establish a Different Property Tax Rate for Secondary Residential Property for Purposes of Education Funding and To Protect State Funding of Education and LD 1141, An Act To Provide Property Tax Relief for Maine Residents and Business and Implement Comprehensive Tax Reform.

Municipal officials are quite familiar and comfortable with the McGowan proposal, because it was supported by the municipalities, generally, in its 2002 version and continues to enjoy broad municipal support in its re-packaged 2003 model. At its centerpiece, the McGowan plan would put a cap on the amount of property taxes that need to be raised for education purposes at 4 mills for almost all property, the exception being a 12 mill cap for second homes and vacation homes (the current state average). The revenue generated by the 4 mill/12 mill cap would represent the local contribution to the public schools with the state making up the difference in the school budget up to the amount of money determined necessary and adequate to support public education in the community by the Essential Programs and Services school funding model.

There are several other major components of the McGowan plan, including the creation of a school funding Rainy Day fund, a system to gradually

reduce Maine's income tax rates, and a phased-in repeal of the personal property tax, which is the element of the McGowan plan that raises municipal concerns.

In his presentation of the plan to the Taxation Committee, Rep. McGowan in his typical populist style gave his ten minutes of allotted time before the Committee to the general public, which was impatiently waiting to testify on the myriad of tax reform proposals. Following Rep. McGowan to the podium was a co-sponsor of LD 1141, Rep. San Moody (Manchester), who testified in strong support of the McGowan plan with thoughtful testimony on what he perceives to be a big problem hanging over any state that relies too heavily on the value of property to support the ongoing provision of governmental services. In summary, Rep. Moody suggested that the bursting of the “dot-com” bubble, the ever-growing expansion of unsecured credit card debt, and a recent conversion of that debt into home equity borrowing, have all led to a situation where the value of property is currently overly leveraged, which will cause major problems if the real estate bubble bursts like the “dot-com” bubble that preceded it. Rep. Moody testified with great conviction that the McGowan plan holds the promise of both significant property tax relief for residents and small and large businesses and the positioning of financial support for the array of Maine's governmental services on a broader-based and more secure footing.

At the end of the long day MMA testified in support of the citizen initiated LD 1372 and in promotion of the five municipal principles of tax reform which are: (1) significant property tax relief through an enforceable state commitment to a fixed share of K-12 education; (2) stability and predictability of state revenues; (3) modernization of the tax code in all areas to more accurately reflect the 21st century economy; (4) the creation of balance among Maine's three major taxes; and (5) a variety of mechanisms that address in a planned and responsible way the problem of Maine's overall tax burden.

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Legislative Bulletin

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TAX REFORM (cont'd)

MMA observed that of the several comprehensive tax reform plans before the Committee, the McGowan plan addresses all those five principles the most squarely. The word of caution MMA provided with respect to the McGowan plan is the great concern that Maine's 50 service center and industrial communities have with the proposal to ultimately eliminate the personal property tax given the extremely significant revenue reductions that would be incurred by those municipalities as well as the lack of public policy foundation associated with further narrowing the already too narrow property tax base.

The other two indisputably comprehensive tax reform proposals that were presented to the Committee on Tuesday were LD 1394, *An Act To Modernize the State's Tax System*, sponsored by Rep. Ben Dudley (Portland), and the so-called "Eco-Eco" tax reform measure, LD 1395, *An Act for Comprehensive Reform of Maine's Tax Structure*, presented to the Committee by its sponsor Rep. Peter Mills (Cornville).

There are many similarities between these two measures in terms of their general structure. Both propose significant expansion of Maine's Circuit Breaker property tax and rent rebate program, and Rep. Mills' LD 1395 proposes to repeal Maine's Homestead Exemption in the process. Both bills lay out in explicit detail an expansion of the sales tax base necessary to finance their respective approaches to tax reform. Both bills spell out significant changes to Maine's income tax rate structure with both bills creating a much-expanded earned income tax credit for low-income Maine households, but taking different approaches at the other end of the income scale. LD 1394 proposes to create a new 10% Maine income tax bracket at households earning over \$200,000 per year, whereas LD 1395 proposes to modestly reduce the highest marginal rate of 8.5% to 8%, making some adjustments to the income tax brackets.

There are differences between the two bills as well. LD 1395 adds some qualification standards to the determi-

nation of eligibility for the "charitable" property tax exemption and creates a service fee system for exempt entities to make basic contributions toward the municipal services they directly receive.

There were many proponents of LD 1394 at the public hearing on Tuesday. Almost all of these proponents represented social service agencies or were otherwise advocates for Mainers with disabilities or low incomes. Several of the advocates for LD 1394 laid out a string of five principles that they were hoping the Tax Committee would



Rep. Peter Mills

take into account when creating a comprehensive package: (1) that the tax benefits are provided to a majority of Maine's residents; (2) that the tax relief provided is targeted to the most deserving taxpayers; (3) that the tax code be redesigned in such a way as to provide adequate revenues to support necessary state programs; (4) that to the maximum extent practicable the tax burden be exported to people with resources outside of Maine who come to this state to partake of its offerings; and (5) to strike a fair balance of tax burden throughout the state between resident and business taxpayers.

The oppositional testimony to the specific proposals in LD 1394 and 1395 to expand the sales tax base to cover a variety of services was more subdued

this year than in the past, at least with respect to the verbal testimony that was provided to the Committee. A small business owner from Poland Spring engaged in the employment service staffing industry objected to the application of the sales tax on those kinds of services. A summer camp owner objected the service fees that would get charged to charitable nonprofits under LD 1395. A businessman from Bangor spoke generally about undisciplined state spending and the issue of Maine's overall tax burden, urging the Committee to create a tax reform plan that ultimately allows Augusta to collect fewer dollars from the taxpayers. Representative Scott Cowger (Hallowell) voiced objections to the proposals in LD 1394 and 1395 to increase the sales tax rate on lodging facilities. Rep. Cowger explained to the Committee that he does not believe that Maine's lodging industry caters as strongly to out-of-state customers as is widely believed. He suggested that the Committee expand the tax base in other directions by removing existing exemptions and then create a system to refund Maine's citizens through an income tax credit for their exposure to the expanded tax base.

Chris Hall from the Maine State Chamber of Commerce provided a broader business overview by saying that the Chamber realizes that comprehensive tax reform is now a viable political reality and he commended the proponents of the citizens' initiative for putting the question in front of the state in a manner that requires a thoughtful response. Hall also acknowledged that the final product would very likely contain various elements that would disappoint various interests, but that sacrifices would have to be made by all the participants in the process to yield a product that would, among other goals, squarely address Maine's overall tax burden. Hall said that the Chamber members were very sensitive to the needs of the service center communities and the industrial communities specifically in light of the various proposals to reduce or eliminate the personal property tax and he acknowledged that it would have to be done

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Rep. Leila Percy

very carefully so as not to merely shift the property tax burden from one sector to another within the various affected municipalities. And Hall further agreed that the McGowan proposal encapsulates many of the essential principles of comprehensive tax reform, that the Chamber was very interested in getting a more in-depth understanding of the Essential Programs and Services educational funding model, that politicians needed to be careful about thinking of the various regionalization and consolidation claims as being some sort of panacea and that governmental reorganization — just like major business reorganization — should come about as the result of well-planned, bottom-up implementation strategies.

The Maine Land Bank. The other major focus of Tuesday's hearing was an assessing proposal that is not comprehensive tax reform. The "Maine Land Bank" proposal comes as a package of two bills, LD 938, *Proposing an Amendment to the Constitution of Maine to Change the Assessment of Lands Used for Long-term Ownership* and LD 951, *An Act to Establish the Maine Land Bank and Community Preservation Program*. Sponsored by Rep. Leila Percy (Phippsburg), these two bills come as a package that would implement the Maine Land Bank pro-

gram.

The "Land Bank" program would allow any landowner in Maine (resident, non-resident, commercial, industrial, etc.) to enroll his or her land in the program, and upon enrollment the assessed value of the land itself (not the structural property) could not increase year-to-year more than either 2% or the annual Consumers' Price Index, whichever value is smaller. Development activity on the land would not restrict ongoing eligibility. When the land is transferred (unless to relatives or willed as a bequest), a withdrawal penalty would have to be paid which is identical to the Tree Growth withdrawal penalty; that is, 30% (sliding down to 20%) of the difference between the just value of property at time of withdrawal and its "Land Bank" assessment, or 5-year "back taxes" value, whichever is greater.

Well over a dozen shorefront property taxpayers and several municipal officials, mostly from the towns of Harpswell and Cumberland (Chebeague Island), paraded to the podium to express their support for the Land Bank program. The Land Bank was described as a tool to protect the heritage of island and peninsula waterfront villages which could otherwise be converted to Martha's Vineyard-type recreational communities by the forces of the real estate market. As the proponents of the program readily tes-



Sen. Mike Brennan



Rep. Matt Dunlap

tified, the Land Bank program is not comprehensive tax reform. It is an alternative assessing method that could stand by itself or be integrated into a larger tax reform package.

The other bills presented in the assembly of tax reform legislation were: LD 1421, *An Act to Reduce Property Taxes*. Sponsored by Senator Mike Brennan (Cumberland Cty.), This bill would send out to the voters a referendum question to ratify the Legislature's decision to increase the sales tax rate from 5% to 6% with the additional revenue being split between two purposes: (1) to increase the value of the homestead exemption from \$7,000 to \$20,000; and (2) to supplement (rather than supplant) the state's appropriation for General Purpose Aid to Education.

LD 1299, *An Act to Fully Fund Local Education with Sales Tax Revenues*. Sponsored by Rep. Al Goodwin (Pembroke), LD 1299 would amend the law that establishes a legislative intention to provide for 55% of the cost of kindergarten through grade 12 education by establishing a new state "intention" to provide for 100% of those costs.

LD 1338, *An Act to Reform the Tax Laws*. Sponsored by Rep. Matt Dunlap (Old Town), this bill would authorize a municipality to adopt by referendum a local option sales tax that both repli-

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June Bond Issue Has R&D Focus

Last week, Governor Baldacci's Office proposed a \$70 million economic stimulus bond proposal that would be sent out to the voters in June. On Tuesday this week, the Appropriations Committee gave near-unanimous recommendation to a slightly trimmed, \$60 million variation. The bond package as originally proposed is provided below [*along with the Appropriations Committee's final recommendation*]:

- \$6 million to further capitalize the Municipal Investment Trust Fund for the purpose of providing municipal infrastructure grants [*unchanged*];
- \$7.5 million to the University of Maine for research, development, technology commercialization and business incubation [*reduced to \$6 million*];
- \$3 million to the University of Maine for educational technology improvements [*unchanged*];
- \$3.6 million to the University of Maine for research and development, in anticipation of \$12 million in matching federal and private support [*unchanged*];
- \$4.9 million to the University of Maine, Portland campus, to expand and equip research and development capital activities [*reduced to \$4.4 million*];
- \$4 million in grants to nonprofit marine institutions for research and development, in anticipation of \$4 million in matching federal and private funds [*reduced to \$1 million in grants in anticipation of \$1 million in federal and private funds*];
- \$25 million to Maine-based biomedical research institutions for research and development [*reduced to \$20 million*];
- \$1 million to the state's applied technology development centers [*increased to \$2 million*];
- \$3 million to design and construct the Gulf of Maine Research Laboratory [*not expressly part of the original proposal*];
- \$2 million to support Maine's Farms for the Future program [*unchanged*];
- 1 \$1 million for the University of Maine agricultural research farms [*not*

expressly part of the original proposal]; and

- \$13 million for affordable housing in anticipation of \$30 million in matching federal and private support [*reduced to \$8 million in anticipation of \$21 million in federal and private support*].

Municipal officials and clerks are concerned with the costs and logistics of holding an unplanned June election. Many communities had not anticipated a June election and are now faced with spending approximately \$350,000 statewide to hold the vote on the bond issue. In addition to the expense, the short notice of the June election has left the 32 municipalities with multiple polling places in a bind. Most of the municipal clerks in communities with multiple polling places rely on the spaces located in elderly housing units, fraternal organizations' meeting houses or school gymnasiums to serve as polling places. In order to ensure that the spaces are available for elections, the clerks typically reserve

the space months in advance. Due to the short notice of this bond referendum, clerks are concerned that many of the polling places will not be available.

While there is a provision in Title 21-A, section 631 regarding the consolidation of polling places, the process requires that public notice is provided and a hearing is held at least 90 days before the scheduled election in order to authorize the consolidation. For the purpose of the June 10, 2003 referendum, municipalities needing to consolidate polling places would have had to have a consolidation public hearing before now. Aware of the time limits and burdens being placed on communities with multiple polling places, the Legislature has authorized the submission of a bill that would allow communities to consolidate polling places for this June election. We expect that a bill providing a one-time, emergency waiver of the 90-day public notice and hearing process will be drafted soon.

Assessor and Legislator Incompatibility

For decades the office of the Attorney General has relied on a provision in Maine's Constitution to determine that an incompatibility exists between the position of municipal tax assessor and state legislator. Article IV, Part 3, Section 10 of Maine's Constitution prohibits the appointment of a legislator to a civil office of profit. In the opinions issued by the Maine Attorney General's office it has been determined that since the position of assessor is created in statute and that most tax assessors receive some level of "compensation", the position of assessor is an "office of profit" and therefore the Constitution prohibits an assessor to simultaneously serve as a member of the legislature.

The problem with this determination is that it prevents a person elected to the bundled position of selectman, assessor and overseer of the poor from running for state office, unless the person resigns the position of assessor.

Although Title 36, section 703 would appear to authorize a selectman to resign as assessor, that particular section of law authorizes the resignation only if the selectman is deemed the assessor because no other person runs or volunteers for the office of assessor. The statute is unclear as to whether a person that is simultaneously elected to serve as selectman, assessor and overseer of the poor can resign the position of assessor and continue to serve as the selectman and overseer of the poor. On Tuesday of this week, the State and Local Government Committee unanimously supported an amended version of a bill that would address that issue.

LD 1226, *An Act to Clarify the Division of the Positions of Town Assessor and Selectman*, sponsored by Rep. Linda McKee (Wayne), proposes to clarify that a person who is elected to the bundled position of selectman, assessor and overseer of the poor may

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“Evergreen” Trash Hauling

The Attorney General’s Office (AG) presented LD 1515, *An Act To Promote and Monitor Competition in the Solid Waste Industry* to the Natural Resources Committee on Thursday this week. This bill is the out-growth of a study that the AG’s office completed last year on the issue of municipal solid waste (MSW) disposal. The issue identified by the AG is that two forces, the state’s 1989 ban on new commercial landfills, and consolidation in the disposal industry, are setting the MSW market on a path toward potential monopolistic behavior, resulting in higher prices.

The restriction on new commercial landfills obviously restricts disposal supply. In a modest attempt to monitor the impact of that restriction, the AG proposes that disposal prices be reported by the industry to the State Planning Office.

Second, because of consolidation in the industry, particularly vertical integration (where the owner of the landfill is also the owner of the trucks hauling waste to the landfill), monopoly power may potentially be exercised ‘earlier’ in the process. That is, the industry powers may not charge more for dump services but for dump truck services. The AG reviewed competition in the trash hauling sector and suggested that competition in the sector could be better secured if some of tighter provisions in the hauling contracts for small containers (dumpsters) were removed.

These tighter provisions concern the ability of a business to cancel the contract and seek services from a competitor. The provisions are: automatic contract renewal, lengthy terms (3 or more years), early notice of termination (3 or more months), significant fees for cancellation (3 or more months worth of payments) and any competitor’s offer must be shown to the existing hauler and the existing hauler must be given the right (not the opportunity) to match the offer. These contracts have been successfully attacked in antitrust actions around the nation and in Maine.

An industry representative explained the contract provisions by stating that the investments necessary to offer service (trucks, containers, contracts with disposal sites) are so high that revenue certainty is needed. Without knowing that a set number of customers will make payments for a set number of years, the risks of entry are too steep to take. Further, the industry representative explained that monopoly power just doesn’t exist now. Lastly, other antitrust actions were distinguished because in those cases market power was much more greatly restricted than here.

The Committee’s questions did not disclose any real prejudgment of the issue. The questions to the AG were focused on the seeming lack of customer complaints over the contracts. Rather, the complaints (and testimony supporting the bill) were from small-hauler competitors. Further, no price spikes have really been seen at the disposal sites yet, so the need for action was questioned. The questions to industry were really comments that the alleged justification for some of the ‘tighter’ contract provisions were not clearly made.

All in all, it would appear that the AG is acting prudently. As for the bill’s proposal to review disposal fees, it seems to make sense that if the state has created a restriction on supply, the state should monitor the fees charged for access to that supply. It is appropriate to gather the information now, prior to the existence of any monopoly power, to get a baseline of what the competitive market fees are. Then, if fees spike, the question can be asked: Was the spike due to monopoly power? If you wait until the prices have gone up, hard and clear data to establish the increase will be missing. As a matter of policy, one should not wait for a problem to begin to collect data.

The evergreen contracts are a little trickier because state interference in a private contract is very sensitive. Determining if the binding provisions are genuine business needs or means to minimize competition is difficult. But

again, if the State waits to address the issue, no meaningful competition may be available when it is needed. At a minimum, a review of these contract provisions is appropriate and the difficult decision needs to be made.

Local Governance of Water Districts

The Utilities and Energy Committee recently heard testimony on LD 1359, *An Act To Establish the Locally Governed Water District*. The bill, introduced by Senate President Beverly Daggett (Kennebec Cty.), would establish a pilot program that would allow consumer-owned water districts to become self-governed rather than regulated by the Public Utilities Commission. The bill is fairly innocuous. It only permits local governance on a trial basis and when both the municipality (or a majority of municipalities in multi-town districts) and the water utility volunteer to participate. Based upon the bills promotion of local control and its voluntary nature, MMA’s Legislative Policy Committee supported the bill.

The PUC admitted that it does not do very much governing of water utilities, and accordingly testified in favor of the bill. Also testifying in favor of the bill were representatives of several towns and water utilities. Opponents of the bill were generally connected to the town of Standish, but there were opponents from other smaller communities around the state.

Supporters, while not anti-PUC, essentially found no benefit from PUC governance and plenty of unnecessary costs (for example, the PUC requires water utilities to report data on a calendar year when most utilities are on a July to June fiscal year). Opponents believed that the PUC’s role in rate-setting and consumer disputes was an essential, independent check on utility power. The supporters responded that municipalities handle many responsibilities (such as property taxes) that are as difficult and delicate as water rates.

“Graduated” Homestead Exemption

To reduce state expenditures for this property tax relief program, the Legislature has “restructured” the homestead exemption into the graduated homestead exemption. Starting this tax year that just began on April 1, homesteads that have a full value of less than \$125,000 will still receive the \$7,000 exemption. Homesteads with a full value between \$125,000 and \$249,999 will receive a \$5,000 exemption. Homesteads over \$250,000 in value will receive an exemption of just \$2,500. These changes have been calculated to reduce the state’s \$40 million annual appropriation for homestead relief by about \$5 million a year, or by 12%. The impacts, obviously, will be felt more broadly in southern and coastal Maine, where housing values tend to be higher. In some communities, the vast majority of homesteads will be impacted.

A “homestead” in Maine law is defined as “any residential property in this State assessed as real property owned by an applicant...and occupied by the applicant as the applicant’s permanent residence.”

That definition makes it sound as though a homestead is a person’s home, plus the building lot, maybe, upon which the home sits. As a result of the new “graduated” homestead exemption the Legislature just enacted as part of the biennial budget bill, we now learn that a “homestead” is going to be considered the entire lot upon which the actual dwelling unit sits...the bottom-line of the homesteader’s property tax card (but not counting any commercial or personal property).

When it testified in opposition to this proposal a couple of months ago, MMA raised the question of how to define a “homestead”, but the Legislature apparently feels that the definition is unambiguous. Maine Revenue Services (MRS) has prepared and distributed a paper that describes the changes to the homestead exemption law and a new “Ratio Declaration and Reimbursement Application”, which is an effective worksheet that walks

municipal assessors through the task of identifying all the homesteads that may be affected by this new graduated system.

Assessors should make sure they obtain a copy of the MRS worksheet. For municipalities that have a certified assessing ratio of 100%, the administrative step in the new program will be to identify all the homestead accounts that fall into the \$125,000-plus or \$250,000-plus categories and apply the reduced exemption values. For municipalities that have a certified assessing ratio of less than 100%, the critical new step in the analysis will be to adjust the municipality’s assessed value of each homestead by the certified ratio to determine if the homestead falls into the higher-value category. For example, if the municipality’s certified assessing ratio is 80%, all homesteads with a municipal value from \$100,000 to \$200,000 would be eligible for the \$5,000 exemption rather than the \$7,000 exemption because the “equalized” value of those homes fall within the \$125,000 — \$250,000 range. For the same reason, the \$5,000 exemption

for those homes would be reduced to \$4,000, because the value of the exemption must be adjusted to reflect the 80% assessing ratio.

None of this will be easy or convenient for assessors. The Legislature appropriated \$110,000 to cover the administrative “mandate” costs that municipalities will take on to implement this new program. The worksheet materials provided by MRS that explain the homestead changes also provide an explanation of how the administrative reimbursement system will be implemented. As a default arrangement to cover the state mandate costs of implementing the graduated homestead exemption system, all municipalities will be eligible for 35 cents times all their homestead properties (or a minimum of \$25 for municipalities with less than 72 homesteaders). If any municipality can demonstrate that 90% of its actual, reasonable costs of implementing the new homestead system exceeds the reimbursement provided under the default arrangement, the municipality can make that claim to MRS.

Revenue Sharing Update

In the April 11th edition of the *Legislative Bulletin*, we reported on LD 1448, *An Act to Clarify the Administration of State-municipal Revenue Sharing*. The bill, sponsored by Rep. Ray Pineau (Jay), would authorize the Treasurer to use some of the revenue dedicated to the Local Government Fund as reimbursement for the non-salary costs of administering the Revenue Sharing program.

At its work session, the State and Local Government Committee unanimously voted to support an amended version of LD 1448. The amended bill clarifies that only the non-salary cost for postage, the Local Government Fund share of the state cost allocation program, and the cost for programming the system that calculates the amount of funds distributed to municipalities may

be paid with the revenue in the Local Government Fund. Apparently, this bill merely codifies longstanding practice.

TAX REFORM (cont'd)

cates and fully replaces the state sales tax in the municipality. Municipalities could also adopt a local option income tax that both replicates and fully replaces the state income tax in that community. The revenue generated from the application of the local option taxes would be subtracted from the municipality’s school subsidy payments and any amount of local option revenue that exceeded the school subsidy would have to be used to reduce the property tax commitment.

INCOMPATIBILITY (cont)

resign from the position of assessor, while retaining the positions of selectman and overseer of the poor. The amendment to the bill further clarifies that when a person is elected to the bundled position and resigns the office of assessor before performing any tax assessment duties, that person does not vacate the municipal office by virtue of taking an oath to serve in the legislature, and visa versa. Rep. McKee felt that the amendment was necessary to address the common law that states that when a person accepts the responsibilities of two incompatible governmental positions, upon being sworn in to the second of the two offices, the municipal official is deemed to have automatically vacated the first.

LEGISLATIVE HEARINGS

Note: You should check your newspapers for Legal Notices as there may be changes in the hearing schedule. Weekly schedules and supplements are available at the Senate Office at the State House and the Legislature's web site at <http://www.state.me.us/legis/senate/Documents/hearing/ANPHFrame.htm>. If you wish to have updates to the Hearing Schedules e-mailed directly to you, sign up on the ANPH homepage listed above. Work Session schedules and hearing updates are available at the Legislative Information page at <http://janus.state.me.us/legis/lio/>.

Monday, April 21 – Holiday

Tuesday, April 22 – Furlough Day

No public hearings scheduled (at press time) for remainder of the week.