

To: Property Tax Reform Working Group
From: Amanda Campbell, Legislative Advocate
Kate Dufour, Director of Advocacy & Communications
Date: September 30, 2024
Re: LPC Feedback on Initial Working Group Recommendations

What follows is a summary of the LPC's feedback on the working group's initial recommendations.

Recommendations:

1. Direct Property Tax Relief – Go Bold Approach: (1) Amend Maine's Constitution to implement a classified property tax system that allows communities to reduce assessment ratios based on the use of the property; (2) implement a layered homestead exemption allowing for the use of one application for all exemptions and a tiered homestead exemption that increases in value based on different factors, such as age, income, and disability with reimbursement funded at 76% rate; (3) repeal the homestead exemption waiting period; (3) 100% state funding for jail operations; (4) 100% state funding for the EPS costs of public education; and (5) creation of accurate fiscal notes.

LPC Feedback

- Constitutional Amendment
 - Need to be careful that we don't impact the level of revenues currently generated by the property tax.
 - The assessment process would still be based on market value, but the percent of the total value subjected to taxation would be prescribed in state statute according to use (e.g., residential, commercial, second homes, etc.).
 - The assessment ratios must be established in state statutes and applied equitably in all communities.
 - Increasing tax assessments on second homes is a double-edged sword, especially when it allows residents to rent out space to help pay property taxes.
 - The process for taxing property should be connected to assessed values.
 - Allow municipalities to decide whether to raise taxes using the current equity approach or proposed property category approach. This should not be a "one size fits all" approach.
 - This is dead on arrival...what is the backup plan?
 - What are the impacts on our "Mom & Pop" stores and businesses?
 - If we got the jail and school funding proposed below, there would be no need for this approach.
 - Explore the Massachusetts tiered mil rate model.
 - Include another tax category that addresses new energy generation projects.
 - Concerned with the impact on municipalities with industrial properties. These companies employ people who in turn pay property taxes. Additionally, these

properties already pay more in taxes than they receive in services. Making this approach voluntary would be more palatable but may open communities up to lawsuits. We need to carefully weigh all the options.

- County Jail Funding – *Note: Public Safety Working Group will be addressing county jail funding issues.*
 - County jails are now operating as prisons without the resources or facilities necessary to do so. Solely fixing this issue would be the biggest win. This should be a priority.
 - Allow inmates to access Medicaid benefits.

- Layered Homestead
 - Don't want to trade the constitutional amendment for homestead exemption as it is one way of accessing the state's broad-based sales and income taxes to take the pressure off the property tax.
 - Let's focus on increasing the homestead exemption to \$50,000 to \$75,000.
 - In some communities the homestead exemption is not going to make a difference in the end. The middle class will become the poor.

- General Comments
 - Tax the property leased to hospitals.
 - I would prefer the LPC to focus efforts on a slate of smaller bills.
 - Remind legislators that WalMart doesn't vote, residents do and those are the people in greatest need of property tax relief.
 - Remind legislators that the LPC represents the same people as those elected to serve in the Maine State Legislature.
 - We need two-way conversations between municipal and state leaders.
 - We need to pay attention to what other legislators and interested parties are advancing as solutions for reducing property tax burden.

2. Property Tax Bills. Require schools and counties to send out their own tax bills.

- This will just shift additional administrative costs onto the property taxpayers.

3. Local Option Sales Tax. Allow communities to assess taxes on sales.

- While this option would generate revenues for some communities, it may have other impacts where residents in abutting communities may elect to go elsewhere for groceries and other services.
- We need to start talking about a dedicated portion of the sales tax, rather than a local option. Require the state to share more of sales tax revenues with municipalities, over and above what is already distributed to towns and cities via revenue sharing.
- We need to take a different approach and focus on how to carve out additional revenues generated by sales and lodging taxes.

No additional feedback was provided on the following suggestions.

4. 100% Homestead Exemption Reimbursement. Restore the reimbursement ramp to 100%.

5. Property Tax Fairness Credit. Increase benefit under the program.

6. State Tax Deferral Program. Reduce the interest rate assessed on the property enrolled in the program.

To: PFAS Working Group
From: Amanda Campbell, Legislative Advocate
Rebecca Lambert, Municipal Issues Specialist
Date: September 30, 2024
RE: LPC Feedback on Initial Working Group Recommendations

What follows is a summary of the LPC feedback on the working group's initial recommendations.

Recommendations:

1. Potential legislative liability exemptions for municipal governments.
2. Ongoing funding to the Uncontrolled Hazardous Substance Site fund.
3. Potential legislative language to require DEP to prove negligence before demanding reimbursement for remediation to an impacted municipality.
4. Requiring fire departments to replace their PFAS firefighting foam.
5. Landfills and the role they play in PFAS exposure.
6. Clarification on why the 2021 exemptions were instituted.
7. Immunity carve-outs for negligence before XXX time, after which liability is in place.
8. Potential requirements to replace firefighter turnout gear.

To: Unfunded Mandates Working Group

From: Rebecca Lambert, Municipal Issues Specialist
Amanda Campbell, Legislative Advocate

Date: September 30, 2024

Re: LPC Feedback on Initial Working Group Recommendations

What follows is a summary of the LPC's feedback on the working group's initial recommendations.

Recommendations:

1. Process Used to Identify Unfunded Mandates. Investigate any possible changes to the procedure used to identify bills that may or may not qualify as a mandate (committee, analyst and others).

LPC Feedback

- We need to design and implement a process for developing realistic fiscal notes.

No additional feedback was provided on the following suggestions.

2. Constitutional Amendment: Amend the Constitution to clarify that if a measure is not funded, compliance by a municipality is voluntary.

3. Presumption of Mandate. Create a presumption that all legislation passed with an impact to local government would be presumed to be a mandate unless proven otherwise, therefore requiring either the funding or the 2/3 vote to not fund.

4. Educational Opportunities. Investigate educational opportunities to engage legislators in state-local partnerships.

To: Housing & GA Working Group

From: Rebecca Graham, Senior Legislative Advocate
Kate Dufour, Director of Advocacy & Communications

Date: September 30, 2024

Re: LPC Feedback on Initial Working Group Recommendations

What follows is a summary of the LPC's feedback on the working group's initial recommendations.

Recommendations:

1. Working Group TIF Program Recommendations: (1) Reintroduce an amended [LD 1493](#) expanding the use of TIF revenue to incentive development of affordable housing; (2) repeal the limit on the use of TIF revenue on administrative municipal buildings; and (3) use revenue to invest in tax acquired property.

LPC Feedback

- TIF – Affordable Housing
 - Credit enhancement agreements are not enough to encourage housing developments and additional state incentives, such as sales tax exemptions, are necessary to fund the investment gap.
 - Amend state statutes to enable county level TIF revenue to be used to fund housing projects in municipalities within the county.
- TIF – Municipal Buildings
 - Need to remove the percentage limits on the use of TIF revenue to fund public safety and administration building projects. The use of TIF revenues will provide a much-needed tool for municipalities to use when needing to comply with OSHA fire brigade rule amendments once implemented.

2. New Housing Program Targeted at Second/Third Home Municipalities: (1) Focus on meeting the year-round needs of communities with an expanding second and third home inventory that do not qualify for state housing programs; (2) expand access to the workforce that can maintain and build new housing; (3) implement step-up housing funding programs or broaden existing ones to provide access to affordable housing, such as trailer parks, as residents find other longer term housing options within the community.

LPC Feedback

- Implement the solutions necessary to ensure a more appropriate balance between the housing inventory used for year-round housing and that used as short-term rentals.

3. Vacancy Tax: Implement the Bangor model statewide.

LPC Feedback

- There is no need for a statewide solution. Let municipalities develop and implement ordinances locally, using the licensing programs implemented in other communities as models.

4. State/Municipal Team Effort: Investment in a true State Planning Office, possibly the newly established Maine Office of Community Affairs (MOCA), to help municipalities adopt and implement comprehensive plans. State agencies should be helping communities develop plans for meeting local and state goals.

LPC Feedback

- We need to develop a true one-stop agency for municipalities that is under the purview of one commissioner. Move local roads, property tax and DECD under the same umbrella.

No additional feedback was provided on the following suggestions.

5. Reform to the Tax Lien Foreclosure Process: Too many limits on municipal authority to dispose property in a cost-effective manner. Of note is the return of revenue to the state if the owner or heirs cannot be located often after significant municipal investment to facilitate the sale.

6. Market Impact on Assessed Value: (1) Amend assessment practices to limit the burdens placed on owner-occupied housing; and (2) develop market disruption tools to help avoid pricing full-time residents out of their homes.

7. State Assistance in Building Affordable Housing: Develop state properties, such as the Dorothea Dix campus in Bangor, to be used to help house refugees and help transition the homeless population into affordable housing, especially in service center communities.

8. General Assistance: (1) Increase GA reimbursement rate, as well require state reimbursement of a portion of administrative costs; and (2) develop a comprehensive model for county administration of the GA program, instead of local administration. The model would address the process of joining a regionalized program, cost-share, incentives, etc.