MAMHS

Maine Association of Mental Health Services

Catherine Ryder, Board President cryder@tcmhs.org
Ruth Blauer, Executive Director rblauer@mamhs.org

Good Afternoon Senator Hamper, Representative Rotundo, Senator McCormick, Representative Goode and members of the Joint Standing Committees. My name is Catherine Ryder and I currently serve as President of the Maine Association of Mental Health Services, also known as MAMHS, and am also the Executive Director of Tri-County Mental Health Services, a non-profit behavioral health agency serving thousands of people across (7) counties in Maine. Thank you for the opportunity to testify today, and to share MAMHS grave concern per the pending bill for taxation of non-profits.

MAMHS currently has twenty two member agencies that collectively provide a full range of community based behavioral health services to children, youth, adults and seniors across the great state of Maine. MAMHS advocates for implementation of policies and practices which serve to enhance the quality and effectiveness of our healthcare system, always striving to demonstrate leadership. We work in partnership with recipients of services, local and state agencies, policy makers, and other collaborative partners, to ensure that all people have access to comprehensive healthcare and are able to live meaningful lives while working toward recovery. We create safety nets that build stronger, healthier, vibrant communities as a result of our presence. As an example, we are the providers responsible for suicide and homicide assessments, and we provide these services regardless of an individual's ability to pay.

MAMHS providers are deeply rooted in their service communities and are experts in the field of behavioral health. We are not only social service agencies, we are savvy, competent business leaders, managing by measuring what we do and seeking continuous quality improvement. We *give* every minute of every day and then look for additional opportunities to give more. We are passionate about the work we do…and are often the last resort for people who have come to a crossroad.

We are also part of the economic engine of our state, providing employment to over 4,500 individuals and serving over 80,000 clients. We know and partner with our local leaders, helping to shape the overall health and wellness of the areas we work within, and thus oppose the elimination of municipal revenue sharing, which would place undue burden on our towns and cities. We share the honor and the responsibility of providing for the needs of those who would otherwise go without, and every surplus dollar we are fortunate to earn, goes right back into service delivery.

MAMHS does not support taxation of our state's non-profits and we believe it will seriously impact our mission and in some instances, our very existence. This potential new burden would redirect already limited funding away from vital services that protect and enhance the lives of those we serve. More than ever, we rely upon the generosity of individuals and organizations choosing charitable giving to support the work of our agencies. For this reason, MAMHS also opposes the elimination of the charitable deduction exemption included in the Governor's budget. For many of our agencies, these gifts support program development and service delivery that would otherwise not exist. With little to no margin in our budgets, the loss of these funds would likely result in staff reductions and program loss.

A recent membership survey indicates that the tax burden for MAMHS members could be anywhere from $0 to $120,000 per organization should this bill pass. For those incurring a significant tax burden, it would translate to a reduction in workforce, reduction in benefits for employees and possible program elimination. In turn, staff reductions will reduce access to behavioral health care services, increase wait times and impact overall quality of service delivery. In a worst case scenario, this tax could cause agencies to close, further exacerbating an already challenged behavioral health treatment system and harming countless numbers of individuals and families in Maine.

In closing, I'd like to thank you once again for your time and for your dedication to the citizens of Maine.

Respectfully submitted on February 19, 2015,

Catherine R. Ryder, LCPC, ACS
President, Maine Association of Mental Health Services (MAMHS)
Executive Director, Tri-County Mental Health Services (TCMHS)

The Nature Conservancy

Protecting nature. Preserving life.™

Testimony before the

Joint Standing Committee on Appropriations and Financial Affairs and Committee on Taxation

By Thomas Abello, Senior Policy Advisor for The Nature Conservancy

February 19, 2015

Re: Governor LePage's Biennial Budget: Part BB Tree Growth Tax Program

Senators Hamper and McCormick, Representatives Rotundo and Goode, members of the Joint Standing Committee on Appropriations and Financial Affairs and Committee on Taxation, my name is Tom Abello and I am the Senior Policy Advisor for The Nature Conservancy in Maine. I appreciate this opportunity to testify in opposition to a portion of Part BB (Tree Growth Tax Program) of the Governor's Biennial Budget.

The Nature Conservancy is a science-based international, nonprofit organization dedicated to conserving the lands and waters on which all life depends. We work in all 50 states and in 31 countries and are supported by more than one million members. The Conservancy has been working in Maine for some 58 years and is the 12th largest landowner in the state, owning and managing some 280,000 acres. We also work across the state to restore rivers and streams to support healthy fish populations important to sport fishermen and with commercial fishermen in the Gulf of Maine to rebuild groundfish populations.

The Nature Conservancy has land enrolled in both the Tree Growth and Open Space tax programs. Last year we paid well over $400,000 in real estate taxes in Maine. The Conservancy manages 160,000 acres along the Upper St. John River and some 12,000 acres along the Spring River for commercial timber products. And, the Conservancy owns about 11,000 acres which are enrolled in the Open Space program

Part BB focuses on the Tree Growth Tax Program and seeks to make several changes to the system. Among the changes proposed is a requirement to give the Bureau of Forestry the authority to require landowners to submit forest management plans directly to the Bureau of Forestry for review and approval.

Under current law landowners enrolled in the Tree Growth Tax Law Program must have a management plan in place. Every 10 years the landowner must submit to the local Assessor, a statement from a licensed forester that the landowner is managing the property in accordance with the management plan. Failure to do so can lead to the landowner being expelled from the program and forced to pay a portion of the tax savings they received.

The Legislature enacted the Tree Growth Tax Law in 1972 to help landowners maintain their property as productive woodlands, and to broadly support the state's wood products industry. Under the program, forest land is assessed on the basis of its current use, and not its highest and best use. This structure is designed to provide an adequate incentive to manage the land on a sustained yield basis and not to strip and sell the land for development.

Since its inception it has become one of the Maine's most important tools to encourage sustainable forestry and has served to enhance recreational opportunities and to protect wildlife habitat. Indeed the program fits both the needs of small landowners managing their woodlands for saw logs, pulp, veneer-grade products, wildlife habitat or maple syrup and large landowners managing hundreds of thousands of acres for hardwood and softwood pulp and construction materials.

The Nature Conservancy opposes this section of Part BB as it gives the Bureau of Forestry too much influence and broad authority to evaluate a private landowner's or private company's timber harvest objectives and forest management goals. Additionally, there is no appeal process. Here are two examples of concern:

1. A land owner may want to manage for saw logs on an 80-year cycle, but the Bureau of Forestry may want the landowner to manage for pulp wood or cut their trees on a 50-year rotation. With this change, the Bureau of Forestry could force the landowner out of the program or force the property-owner to harvest more timber off his/her land.
2. As written this proposed language would give the Bureau of Forestry the ability remove a large landowner from the Tree Growth Program if the Bureau believes they are harvesting too much wood off their land or if the company violates the Forest Practices Act.

<u>This section of Part BB (p.90) is a solution in search of a problem</u>. As it stands now, state law allows municipalities to review forest management plans and, by statute, the Bureau of Forestry can assist towns in those reviews and help determine if the management plan is being followed. Moreover, in February of 2014, the Bureau of Forestry submitted a report on the Tree Growth Program to Joint Standing Committee on Taxation. The report (titled the Tree Growth Tax Law Audit) focused on property owners in organized territory and included an analysis of the administration of the program and a survey of landowners enrolled in it. This piece of Part BB is not included in the Report's recommendations. What has changed in the last year?

In fact, the report concludes the program is well run and landowners are living up to the spirit and intent of the Tree Growth program. Here are two findings from the report:

1. "MFS staff found that 86% of the landowners sampled were following the recommendations in their forest management and harvest plan;" and
2. "landowners enrolled in the Tree Growth Tax program appear to be doing more than their fair share of harvesting and keeping up their end of the bargain."

For these reasons, we urge the Committees to oppose this portion of Part BB (Tree Growth Tax Program) of the Governor's Biennial Budget. Thank you again for this opportunity to participate in this process. I am pleased to answer any questions you have now or in the future.

Senator Hamper, Representative Rotundo, Senator McCormick, Representative Goode, distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs, and the Joint Standing Committee on Taxation, my name is Carly McCarthy. I'm here today as an alumna of Thomas College, and in opposition to the proposed tax on Maine's nonprofit institutions.

I'm a first generation college graduate. My mom couldn't afford to go for more than one semester, and my dad couldn't afford to go at all. Because of that, my parents started saving for my college education from the moment they knew about me.

When I started to look at colleges in high school, I knew financial aid was my top priority. I needed to make my college savings last for all four years, so my applications only went to schools I could afford. But I didn't want my college experience to be all about the money, so I made sure I only looked at schools I knew I would love. When an admissions counselor from Thomas visited my high school and spoke to me, and only me, for over an hour, I knew where I wanted to go.

Thomas was my top choice – they offered me the education I needed, the small, tight-knit community I craved, and the financial aid package to make it all possible. I was accepted on early action in December of 2009, and haven't looked back since.

At Thomas, I did a little bit of everything. I was a resident for a year, and a commuter for the other three. I was an Orientation Leader, a member of the Student Judicial Board, an active member of several campus organizations, and participated in community service projects. My senior year, I was presented with the Thomas Award in recognition for scholarship, leadership, and service. I graduated this year with a Bachelor's in Information Technology Management and a Master's of Business Administration.

Standing here now, I can tell you that I was, and continue to be, very lucky. I managed to stretch my college savings to cover any expenses that my student loans didn't. My sister isn't so lucky. She's a second year student at Thomas, and her savings won't make it past her third year. Even with savings, we'll both repaying student debt for years to come.

I'm also lucky because I have a great job that I enjoy, in the state. Since graduation, I've watched as several of my friends and classmates have left Maine, taking jobs in other states or moving on for more education. Those are brilliant minds that Maine can't afford to lose.

I owe a lot to Thomas – I wouldn't be standing here without the support of the school. The proposed tax on Maine's nonprofit institutions will make success stories like mine rare. It would harm Thomas's ability to give grants and scholarships to students like me, and more graduates would have to leave the state, in search of better paying jobs to repay their loans. This tax will hurt Maine, and deny the state of the influx of educated workers it sorely needs.

I appreciate the Committee's time, and respectfully urge you to vote ought not to pass on the proposed tax on Maine's nonprofits. Thank you.

THOMAS

180 West River Road, Waterville, ME 04901 • 207.859.1111 • www.thomas.edu

Office of the President

TESTIMONY OF

Laurie G. Lachance

on behalf of Thomas College

and the Maine Independent Colleges Association

Before the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing committee on Taxation

In OPPOSITION to the Biennial Budget proposed for the Fiscal Years Ending June 30, 2016 and June 30, 2017 – particularly the provision that repeals the Property Tax Exemption on certain Private Nonprofits

FEBRUARY 19, 2015

Senator Hamper, Representative Rotundo, Senator McCormick, Representative Goode, distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Taxation, my name is Laurie Lachance. I am the President of Thomas College and I currently serve as the Chair of the Maine Independent Colleges Association (also known as MICA).

I am here today to urge you to oppose the Biennial Budget, specifically the provision in Part E that would repeal the Property Tax Exemption for certain private, nonprofits in Maine.

The Maine Independent Colleges Association (MICA) represents 10 private, nonprofit colleges and universities throughout Maine that serve over 25,000 students, 7,000 of whom are from Maine. Collectively, the 10 institutions are an economic force and an integral part of Maine's Higher Educational eco-system. Together they:

- Employ over 6,000 Maine workers
- Draw nearly 300,000 visitors to our state each year
- Have a total payroll in excess of $340,000
- Have direct expenditures of over $615,000

- Have an estimated economic impact on Maine's economy of over a billion dollars each year

While we share the attributes of being private and nonprofit, we are highly diverse and serve very different aspects of the educational needs of Maine people. The 10 colleges could be separated into three distinct groups:

First – the three little Ivies – Bowdoin, Bates and Colby (Brunswick, Lewiston and Waterville):

- Nationally-ranked
- Serving Maine for over 200 years
- Huge network of highly-successful alumni
- Highly selective with long waiting lists
- 10%-15% of students are from Maine, with remaining 85%-90% coming to Maine from around the globe, bringing millions of dollars to our state each year
- Only provide traditional, residential, 4-year Bachelor's degrees in the Liberal Arts

Second group – includes Unity College, College of the Atlantic and the Maine College of Art (Unity, Bar Harbor and Portland) – which are all very small, enrollment-driven, 4-year undergraduate colleges serving nationally-recognized niche markets.

The third group includes four colleges and universities that serve a very broad segment of Maine's economy and directly serve the critical workforce needs of Maine's businesses:

- University of New England with campuses in Biddeford and Portland
- Husson University with campuses in Bangor and Westbrook
- Saint Joseph's College in Standish
- Thomas College in Waterville

These four institutions offer Associates, Bachelors, Masters and Doctoral Degrees as well as Professional Development and Continuing Education, in traditional, hybrid and online formats, across a wide-array of programs including healthcare, business, technology, education, criminal justice, etc.

All 10 of these private institutions strongly oppose this bill for the following reasons:

1. With the perfect storm of shrinking demographics, income stagnation, skyrocketing student debt, and public backlash on the value of a college education - the competition has never been fiercer. National pundits project that

1 in 5 colleges will disappear in the next decade – meaning that all colleges and universities are fighting for their lives.

2. These 10 colleges and universities all compete for students from across the nation and around the globe. The imposition of a tax would put us at a competitive disadvantage with the other 4,000 institutions in the US where none of our competitors pay this type of tax.
3. These 10 institutions serve 7,000 Maine Students. Imposing a tax on us without similar costs being imposed on Maine's University System, Maine's Community College System, and Maine Maritime Academy drives a further wedge in our tuition prices that Maine students pay – putting the 10 colleges at a competitive disadvantage.
4. We serve Maine students who go into Maine's workforce. This tax will be directly passed to tuition costs and, ultimately, to student debt levels, undermining our efforts to grow Maine's economy.
5. By way of example:
    a. roughly 75% of the students who attend Thomas College come from Maine and
    b. roughly 85% of our graduates choose to stay and work in Maine.
    c. About 70% of the students we serve are the first in their family to attend college and attending a small, private college provides the highly personal supports to help them complete their college degree in the face of huge odds.
    d. Thomas, along with 6 of the other independent colleges, has a very small endowment. Since we receive NO public monies, our endowment earnings and contributions are the only cushion we have to sustain economic swings.
    e. We have doubled our endowment in the past few years which puts us at about $10 million only 1/5 the level recommended nationally and this provides about $400,000 that we can and do use each year to support scholarships to Maine students.
    f. IF a property tax is imposed on Thomas College's little campus, a very conservative estimate of the tax based on our book value would be about $600,000 annually – 1.5 times our annual endowment earnings – wiping out all of our scholarship monies one and a half times over
    g. Needless to say, this would cripple our college.
    h. More importantly, it would dramatically harm our ability to help Maine Students, particularly first-generation, to attain their dreams
    i. Thomas College serves the very heart of the Central Maine Economy and its workforce. This tax would undermine both.

As some of you may know, I served as CMP's Corporate Economist for 10 years, as Maine's State Economist for 11 years under three Governors, and as the President of the Maine Development Foundation for 8 years before becoming Thomas's President. In my 30 years of analyzing and forecasting Maine's economy I believe that the single greatest investment we can make to assure Maine's future prosperity is to invest in every single Maine person – bringing them to their greatest educational potential.

Roughly 2/3s of future jobs will require a college education and only 1/3 of our workforce currently has a degree. Maine's Independent Colleges play a huge role in attaining that vision for Maine and I urge you to please oppose this new tax that would greatly hamper our ability to serve Maine's people.

The 10 colleges of MICA are nimble, innovative, collaborative, and operate on very sound business models – investing in the future of Maine

I appreciate the Committee's time and respectfully urge you to vote ought not to pass on the proposed tax on Maine's nonprofits. I am happy to answer any questions you may have.

Janine J Jackson

Gardiner Library Association
152 Water Street
Gardiner, ME 04345
207-582-3312

In opposition to:
The levying of property taxes upon non-profit organizations as part of Governor LePage's Proposed FY 2016-2017 Biennial Budget

Good afternoon Senator Hamper, Representative Rotundo, members of the Appropriations Committee, Senator McCormick, Representative Goode, and members of the Taxation Committee. My name is Anne Davis and I am testifying in opposition to taxing non-profit organizations.

I am the director of the Gardiner Public Library; a regional library serving the municipalities of Gardiner, Litchfield, Pittston, Randolph and West Gardiner.

As is true in most of your towns, the public library is the heart of your community and a beacon for learning. In most communities, the library depends on a public/private partnership. Some of them rely completely on municipal support while quite a few are run by a 501©3 non-profit organization responsible for running a library and maintaining what is probably one of the most beautiful buildings in your community. The proposal to tax these institutions may be the death knell for some of these small libraries.

In Gardiner, I run a municipal library housed within a building that is owned by a non-profit organization called the Gardiner Library Association. When this building was built in 1881, a partnership was set up by the City of Gardiner to support this library with municipal funds while the association maintained the building and grounds.

For anyone who lives in a building that is over 133 years old, they understand that maintaining an historic building costs money, lots of money. My association has fundraised almost $1million to restore this library and keep it viable for our community. I am sure this is true for the libraries in all of your towns.

The Governor's proposal to tax these organizations will create a broken promise between municipalities and their non-profit organizations. A library exists purely for the public good; beyond fundraising, there is no revenue stream that can make up for the loss. A late fine of 20 cents simply is not enough!

The State of Maine has a wonderful history of public libraries. Folklore tells us that the Gardiner Public Library is the second oldest public library in the state. Whether this is true or not, as communities were settled residents built a town hall, a church or two and often, a gorgeous public building called the library. After our social security card, the first real card issued in our name was probably a library card. A library exists for the public; anyone may walk through the doors, enjoy a program, read a book, use a computer and enjoy an interaction with a neighbor.

If municipalities are forced to levy property tax on these esteemed institutions, they may be responsible for closing many of our very small, private libraries. You will also see a curtailment of programming and services in our larger libraries because many of those organizations are land rich, but do not have any spare funds beyond that raised for library services. Take some time to visit your public library, and then imagine what a great loss it will be to Maine when we will be forced to close them due to lack of money. Thank you for listening.

Anne C. Davis

Submittal to the JOINT PUBLIC HEARINGS on the GOVERNOR'S BIENNIAL BUDGET
February 19th, 2015
Committee on Appropriations and Financial Affairs & Committee on Taxation

<u>A Conservative Case for Nonprofit Property Tax Exemption and the Charitable Income Tax Deduction</u>

From the early days of our history, the synergy among the private, public, and nonprofit sectors has been critical to the success of the American experiment. To an extent unmatched in other countries, American colonists and citizens formed voluntary associations to achieve beneficial public goods such as firefighting, education, poor relief, hospitals, and houses of worship. It is widely acknowledged that the nonprofit sector contributed significantly to the health of our democracy through its empowerment of citizen initiative, and continues to do so today.

For as long as our nation and state have existed, the law has acknowledged and advanced the vital importance of the nonprofit sector by exempting voluntary associations from taxation and, eventually, by providing them with a legal mechanism for organization, which is today's nonprofit corporation.

Nonprofits are so deeply enmeshed in our social fabric that we often take them for granted. Yet imagine subtracting the nonprofit sector from Maine. Remove the hospitals, colleges, churches, senior care facilities, homeless shelters, museums, YMCAs, and all of the other voluntary charitable organizations. What a barren and inhospitable world it would be!

As society increasingly focuses on economic factors to measure quality of life, our understanding of the nonprofit sector has diminished. Fewer people seem to recognize the fundamental difference between for-profit and nonprofit organizations. So here's the difference. Nonprofit corporations are chartered by state government in order to provide the citizenry with a legal structure for effectively providing beneficial public goods on a voluntary basis. Generally, these are services that commercial businesses cannot offer at sufficient profit to owners and shareholders, and that government cannot fund with limited resources.

As regards taxation, property owned by nonprofits is qualitatively different from property owned by individuals and for-profit businesses. Individuals and businesses can liquidate their assets and move to Florida. But nonprofits, by the terms of their state charters, hold their properties in the public trust. If a nonprofit sells its real property, the proceeds are restricted to its charitable mission. If a nonprofit goes out of business, its property must be transferred to another Maine nonprofit or returned to state ownership.

Nonprofit property is a charitable asset, purchased with charitable contributions to further a civic purpose. To tax it would be to confiscate the charitable gifts of Maine's citizenry. The wonderful fact is that nonprofits go to all the work and expense of maintaining their properties for the public benefit without any direct cost to the taxpayer. Taxing these properties contravenes a social compact that dates back to colonial times, has remained consistent over the intervening centuries, and remains critical to the continued health of our society and our democracy.

In regard to the income tax deduction for charitable gifts, two compelling arguments for it are not always heard. The first is that it hugely leverages the investment of private taxpayer dollars for the public good. For every dollar that the state foregoes, citizens give at least eleven additional dollars out of their own pockets to nonprofit organizations for civic expenditure. The second point is that those twelve dollars deliver social benefits chosen directly by the citizenry from the bottom up, rather than mandated by government from the top down. Through the charitable tax deduction, citizens vote directly on their spending priorities in the public sphere.

Peter Korn. Executive Director
Center for Furniture Craftsmanship
25 Mill St. Rockport, ME 04856
207-594-5611 peter@woodschool.org

Charlotte White Center
A Community and Social Service Agency
"Creating Hope and Opportunity"

Richard M. Brown, CEO
572 Bangor Road, Dover-Foxcroft, Maine 04426
Tel. (207) 564-2464, Fax (207) 564-2404
E-Mail: info@charlottewhite.org
www.CharlotteWhiteCenter.com

Celebrating 35 YEARS of Service

Senator McCormick, Senator Hamper, Representative Goode, Representative Rotundo,
Distinguished members of the Joint Committee on Appropriations and Financial Affairs and Taxation

My name is Richard M. Brown, CEO of the Charlotte White Center in Dover-Foxcroft Maine, testifying in opposition to the provisions of the budget which eliminate the property tax exemption of non-profits. The Charlotte White Center is a charitable non-profit agency, with headquarters in Piscataquis County, supporting adults and children affected by intellectual or developmental disabilities, mental illness, physical handicaps, acquired brain injuries and domestic violence.

The theory behind the tax exemption for a 501©(3) charitable agencies is that they are providing needed community services (public good) and to extract payments for taxes from these organizations would decrease the amount of service or "public good" these organizations could provide.

There is considerable legal and historical precedent for this type of exemption. In 1924 the United States Supreme Court ruled that "the exemption is made in recognition of the benefit which the public derives from the corporate activities of the class of charitable organizations."

This was further strengthened by the House of Representatives in 1938 when they noted, "The exemption from taxation of money and property is based on the theory that the government is compensated for the loss of revenue by its relief from financial burdens which would otherwise have to be met by appropriations from other public funds, and by benefits resulting from the promotion of general welfare."

Thus we can see that the charitable work of non-profit 501© (3)'s fits into the exempt purpose the Supreme Court and Congress intended. We are performing services that would have to be performed by the government were it not for our efforts and the public good is served by our activities.

Elimination of the exemption and taxing non-profits has the same effect of reducing the amount of public good that can be achieved with the limited amount of revenue available for supporting the charitable purposes for which we are engaged. I would urge you to eliminate this provision of the budget in light of the damaging impact it would have on our ability to care for some of Maine's most vulnerable citizens.

Sincerely,

Richard M Brown

Richard M. Brown, CEO
M.ED., LCPC, CRC, CBIS
Charlotte White Center
rbrown@charlottewhite.org

Maine Municipal Association
60 COMMUNITY DRIVE
AUGUSTA, MAINE 04330-9486
(207) 623-8428
www.memun.org

Testimony of the Maine Municipal Association
In Opposition to the Proposed Elimination of the Homestead Property Tax Exemption for Homesteaders Under the Age of 65
Neither For Nor Against, with Contributing Information Regarding the Proposed Taxation of Exempt Property
and
In Support of the Proposed Amendments to the Tree Growth Tax Program

(Parts F, E and BB of the Governor's Proposed Biennial State Budget)

February 19, 2015

Senator Hamper, Representative Rotundo, members of the Appropriations Committee, Senator McCormick, Representative Goode, members of the Taxation Committee, my name is Geoff Herman and I am testifying on behalf of the Maine Municipal Association with respect to the Governor's proposed state budget in opposition to the proposal to eliminate the Homestead property tax exemption for all homesteaders under the age of 65 (Part F), neither for nor against the proposal to impose property taxes on exempt property (Part E), and in support of the proposed changes to the Tree Growth tax program (Part BB).

Homestead Exemption. The Homestead property tax exemption was established by the Legislature in 1998 as a $7,000 exemption with each municipality's lost tax revenue fully reimbursed by the state to prevent a property tax shift to businesses, agricultural land and other non-homesteaders. The goals of the program were to target a property tax benefit to Maine residents that was administratively simple and would reduce all resident homeowners' property tax bill on the front end, rather than through an after-the-fact reimbursement or credit.

From 2004 – 2009 the program went through a series of transformations, all designed to reduce the state's financial exposure to the program. The Homestead exemption today is valued at $10,000 with the state's reimbursement obligation reduced to just 50% of each municipality's lost tax revenue. The 50% reimbursement has the direct effect of reducing the municipal tax base and increasing property tax rates, effectively making all property owners in each community – homesteaders and non-homesteaders alike – pay for one-half of the exemption.

The Governor is proposing to eliminate the Homestead exemption for all homeowners under the age of 65 and double its value to all homesteaders 65 years of age or older.

The relative ability or inability of a homeowner to pay the property tax bill doesn't discriminate on the basis of age. As a result, municipal officials do not support a discriminatory system that provides this property tax benefit only to homeowners of a certain age group.

Increasing the value of the exemption to all homesteaders is a policy change municipal officials could certainly support. Through MMA, the municipalities submitted a comprehensive tax reform plan to the Legislature in 1998 that contained many elements similar to what the Governor is currently proposing. The centerpiece of that proposal was the creation of a $20,000 Homestead property tax exemption. If the Legislature wants to recalibrate the mix of property tax relief benefits offered by the municipal revenue sharing program and the Homestead property tax exemption, municipal officials could be supportive. The only request would be that both programs are: (1) allowed to perform their respective functions; and (2) maintained in a stable and predictable manner by the Legislature over time.

Taxing exempt property. There is some ambivalence in the municipal position on the Governor's proposal to apply a property tax to relatively large, privately owned corporations and institutions that currently enjoy exempt status.

On one hand, Maine's towns and cities have advanced concerted efforts over several decades to amend the state's longstanding policy on exempt property. The goal has been to provide local governments with some financial support for the municipal services the exempt facilities directly receive and rely on, including fire protection, police protection and road maintenance services. In the past we have tried to tighten up the definition of a "charitable and benevolent" organization, without success. As an alternative approach, we have repeatedly tried to create a municipal "service charge" authority to obtain PILOT payments (Payments in Lieu of Taxes) from large scale exempt institutions, also without success. A well developed version of that proposal was assembled by a working group established by the Legislature just two years ago, but that working group's effort made it no further than a report-back to the Legislature.

Given that background, the Governor's proposal in Part L of the budget is a welcome recognition that the state's policy on exempt institutions should be amended.

On the other hand, the Governor's proposal is very difficult to analyze with respect to impacts but will clearly result in very lopsided municipal benefits, with a few municipalities recouping their revenue sharing losses and the vast majority of towns and cities recouping little or nothing from this plan to tax otherwise exempt property in order to mitigate revenue sharing losses.

Obstacles to impact analysis. Because the types of property that would be made subject to taxation have always been exempt, there is very little reliable information about the true taxable value of these institutions, which is referred to as "just value" in Maine's Constitution. For the Governor's proposal to work, municipal assessors would have to appraise all tax exempt properties and the various methodologies to fairly determine "just value" would need to be brought into play. Given the very unique nature of many of these properties (e.g., hospitals, colleges), the traditional "cost approach to value" may not be determinative, and the values that are currently ascribed to these properties will need to be substantially amended.

Lopsided impacts. Attached to this testimony is a summary of the impact information we have received from over 40 of the towns and cities in Maine that are hosts to approximately 75% of all the privately owned exempt property in the state. On the basis of this information, along with data provided in the Municipal Valuation Return Statistical Summary, we estimate that approximately 70 municipalities would be able to generate revenue under this proposal to replace some or all of their revenue sharing losses. The remaining 420 municipalities would generate very little revenue under this proposal , with over 350 of those towns in rural Maine generating absolutely no revenue under this proposal to offset their revenue sharing losses.

Tree Growth amendments. MMA's 70-member Legislative Policy Committee quickly voted to support the amendments to the Tree Growth tax program provided in Part BB of the state budget. The changes are all designed to increase the accountability of the program. Greater accountability in the Tree Growth tax program is sorely needed.

Impact of Governor's Proposal To Apply a Property Tax to Certain Exempt Properties

Part E of the Governor's proposed FY 2016 – 2017 General Fund budget limits certain nonprofit organizations' property tax exemption. As proposed, 50% of the value of property assessed over $500,000 and owned by charitable and benevolent corporations, literary and scientific institutions, and certain other categories of privately owned tax exempt property, excluding governmental properties and churches, would be made subject to a property tax.

What follows is the impact data received from 43 municipalities that host a significant amount of privately owned tax exempt property. According to available records, approximately 75% of all the charitable-and-benevolent and literary-and-scientific property value in Maine is located in these 43 communities. In summary, these towns and cities and a few other similarly situated communities are positioned to receive some benefit from the Governor's proposal. From these data, along with the data in the Municipal Valuation Return Statistical Summary (MVR), we are able to estimate statewide impacts.

The impact information from these communities suggests that they would raise $28 million in property tax revenue as a result of the Governor's proposal. On the basis of this information and data in the MVR, we estimate that:

- 70 communities statewide could raise a maximum of $37 million under the Governor's proposal. (This estimate does not take into account the determination of the "just value" or market value of unique or specialty exempt properties, which will likely have a negative effect on the estimate.)
- An additional 70 communities are expected to collect small amounts of revenue under this proposal but not nearly enough to recover their revenue sharing losses (at the current revenue sharing distribution level).
- 350 rural towns are expected to receive no revenue as a result of this proposal.

	Revenue from Partial Exemption	FY 2016 Rev Share @ $62.5 M	FY 2016 Rev Share @ $158 M	Partial Exemption vs. $62 M Rev Share	Partial Exemption vs. $65 M Rev Share
Augusta	$ 1,585,128	$ 1,067,723	$ 2,702,935	$ 517,405	$ (1,117,807)
Bangor	$ 3,006,485	$ 2,090,556	$ 5,292,232	$ 915,929	$ (2,285,747)
Bar Harbor	$ 1,630,186	$ 122,264	$ 309,511	$ 1,507,922	$ 1,320,675
Bethel	$ 111,454	$ 75,718	$ 191,679	$ 35,736	$ (80,225)
Biddeford	$ 1,679,927	$ 1,207,577	$ 3,056,976	$ 472,349	$ (1,377,050)
Brewer	$ 553,575	$ 596,952	$ 1,511,181	$ (43,377)	$ (957,606)
Brunswick	$ 2,963,976	$ 1,030,402	$ 2,608,458	$ 1,933,574	$ 355,518
Calais	$ 102,448	$ 212,659	$ 538,346	$ (110,211)	$ (435,898)
Damariscotta	$ 302,082	$ 95,164	$ 240,908	$ 206,918	$ 61,174
Dover-Foxcroft	$ 260,657	$ 233,415	$ 590,889	$ 27,242	$ (330,231)
Eliot	$ 165,870	$ 238,374	$ 603,443	$ (72,504)	$ (437,573)
Ellsworth	$ 308,100	$ 365,624	$ 925,576	$ (57,524)	$ (617,476)
Falmouth	$ 183,878	$ 446,293	$ 1,129,789	$ (262,415)	$ (945,911)
Farmington	$ 300,000	$ 375,632	$ 950,912	$ (75,632)	$ (650,912)
Fort Kent	$ 136,800	$ 205,780	$ 520,931	$ (68,980)	$ (384,131)
Freeport	$ 222,140	$ 346,648	$ 877,538	$ (124,508)	$ (655,398)
Gardiner	$ 52,046	$ 392,674	$ 994,053	$ (340,628)	$ (942,007)
Gorham	$ 95,157	$ 716,887	$ 1,814,797	$ (621,730)	$ (1,719,640)
Hampden	$ 13,319	$ 342,823	$ 867,855	$ (329,504)	$ (854,535)
Houlton	$ 249,240	$ 375,218	$ 949,863	$ (125,978)	$ (700,623)
Kennebunkport	$ 57,153	$ 55,565	$ 140,664	$ 1,588	$ (83,511)
Lewiston	$ 3,659,347	$ 2,717,899	$ 6,880,348	$ 941,448	$ (3,221,001)
Lubec	$ -	$ 67,127	$ 169,931	$ (67,127)	$ (169,931)
Machias	$ 11,421	$ 154,361	$ 390,764	$ (142,940)	$ (379,343)
Mount Desert	$ 78,227	$ 29,628	$ 75,004	$ 48,599	$ 3,223
Old Town	$ 87,833	450,605	1,140,705	$ (362,772)	$ (1,052,872)
Orono	$ 119,250	$ 790,968	$ 2,002,331	$ (671,718)	$ (1,883,081)
Paris	$ 10,407	$ 225,179	$ 570,039	$ (214,772)	$ (559,632)
Pittsfield	$ 112,088	$ 232,334	$ 588,153	$ (120,246)	$ (476,065)
Portland	$ 5,900,000	4,000,897	10,128,252	$ 1,899,103	$ (4,228,252)
Presque Isle	$ 198,953	$ 701,207	$ 1,775,101	$ (502,254)	$ (1,576,148)
Readfield	$ 175,750	$ 112,863	$ 285,712	$ 62,887	$ (109,962)
Rockport	$ 303,571	$ 120,656	$ 305,440	$ 182,915	$ (1,869)
Sanford	$ 388,092	$ 1,332,349	$ 3,372,834	$ (944,257)	$ (2,984,742)
Scarborough	$ 227,421	$ 757,631	$ 1,917,939	$ (530,210)	$ (1,690,518)
South Portland	$ 69,540	$ 1,242,467	$ 3,145,299	$ (1,172,927)	$ (3,075,759)

Skowhegan	$	79,685	$	431,015	$	1,091,112	$	(351,330)	$	(1,011,427)
South Berwick	$	294,361	$	362,379	$	917,360	$	(68,018)	$	(622,999)
South Bristol	$	16,829	$	362,379	$	917,360	$	(345,550)	$	(900,531)
Waterville	$	1,250,000	$	1,080,137	$	2,734,360	$	169,863	$	(1,484,360)
Wells	$	61,077		208,903		528,836	$	(147,826)	$	(467,759)
Windham	$	117,704	$	706,772	$	1,789,189	$	(589,068)	$	(1,671,485)
Yarmouth	$	251,994	$	507,128	$	1,283,792	$	(255,134)	$	(1,031,798)
	$	**27,393,171**	**$**	**27,188,833**	**$**	**68,828,396**	**$**	**204,338**	**$**	**(41,435,225)**

TOWN OF BROWNVILLE

586 Main Road
Brownville, Maine 04414

Phone- 207-965-2561
Fax- 207-965-8768

OFFICE OF THE TOWN MANAGER

Good Morning, Senator Hamper, Representative Rotundo, members of the Appropriations Committee, Senator McCormick, Representative Goode, members of the Taxation Committee , my name is Matthew Pineo, the Town Manager of Brownville and I am testifying for the Town of Brownville in opposition to the elimination of Homestead Exemption for those under 65.

Today, the focus of my testimony will describe the impacts on Brownville residents in one of the poorest counties in Maine, with the highest Unemployment rates in the state.

Currently the Town of Brownville Mil Rate is **18.9** per thousand. Last year the town utilized Town Surplus to minimize the loss of the Revenue Sharing along with further cuts in the budget, and collaborating with neighboring towns and the county when we can. With the proposed Revenue Sharing Elimination for 2016, the mil rate for all taxpayers would increase to **20.5** per thousand.

Currently a $100,000.00 home with homestead exemption only pays: **$1,701.00** in property taxes, under the current proposal before us, the tax shift on property owners in Brownville will increase to; **$1,845.00**. If homestead exemption is taken away from those under 65, the tax bill will then increase an additional **$102.50**. This results in a **$246.50** increase on that property tax payer (businesses included) for a total bill of **$1,947.50.** This is the worst form of "***AGE DISCRIMINATION"!***

Our State is working to attract a younger work force to the state; to make our state grow, this is a great way of discouraging it. How are businesses to survive out of the proposed budget by the Governor? The Governor has only added cost to every business, household, and municipality in the state while increasing the state budget only by balancing it on the back of the Maine Taxpayer. The American Dream isn't going to be so great if you the Legislature allow this to happen. Please do not allow age discrimination in our state.

If we are trying to only take care of MAINE RESIDENTS, and lower their property taxes, then maybe we should look at a more aggressive formula in the Homestead Exemption to give every property owner a tax break. We live here; we invest in our lives and our state here. Should we also look at a Maine Owned Business where the owner lives here, and has a "Business"? Then the business would qualify for a "Homestead" Business Exemption! If we are going to make life easier for Maine Residents, Maine Taxpayers, that call Maine home, then we should make sure we are encouraging those residents to make those investments that enjoy living in this state.

You were elected to represent all Maine Residents; it is now time you make it right! Please preserve the Homestead Exemption for all Maine Residents regardless of age, and look into expanding the Homestead Exemption permanently so all Maine Residents, Maine owned businesses get to enjoy the American Dream in MAINE, and call themselves a Mainiac!

Thank you