



JANET T. MILLS
GOVERNOR

STATE OF MAINE
MAINE REVENUE SERVICES
P.O. BOX 1060
AUGUSTA, MAINE
04332-1060

ADMINISTRATIVE & FINANCIAL SERVICES

KIRSTEN LC FIGUEROA
COMMISSIONER

MAINE REVENUE SERVICES

JEROME D. GERARD
EXECUTIVE DIRECTOR

January 25, 2024

Senator Grohoski, Co-Chair
Representative Perry, Co-Chair
Joint Standing Committee on Taxation
100 State House Station
Augusta, ME 04333-0100

Dear Committee Co-Chairs:

Pursuant to 36 M.R.S. § 208-A(6), I have enclosed the annual report regarding the review of requests made during fiscal year 2023 from municipalities for adjustments of equalized valuation. Please feel free to contact me if you have any questions about this report.

Sincerely,

A handwritten signature in blue ink that reads 'Jerome D. Gerard'.

Jerome D. Gerard

Enclosure

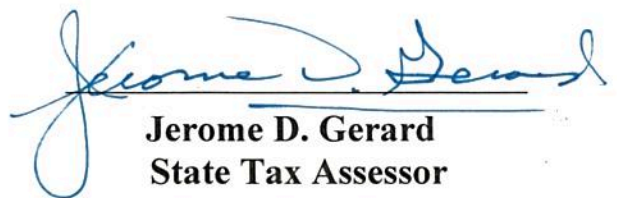
cc: Members of the Joint Standing Committee on Taxation
Kirsten LC Figueroa, DAFS Commissioner



**Review of Requests Made During Fiscal Year 2023 for Adjustment
of Equalized Valuation**

**A Report Prepared for the
Joint Standing Committee on Taxation
Pursuant to 36 M.R.S. § 208-A(6)**

**Department of Administrative and Financial Services
Maine Revenue Services**


**Jerome D. Gerard
State Tax Assessor**

January 25, 2024

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I. Introduction

Every year, Maine Revenue Services (“MRS”) calculates the “just value” of all taxable property in the state. This information is used to determine state valuation, which is then reported by MRS to the Secretary of State. The state valuation report is used to determine the amount of state payments to municipalities under the municipal revenue sharing and education funding requirements. The state payment amounts for revenue sharing are calculated using the most recently certified state valuation for the following fiscal year. State payments for education subsidy are calculated using an average of the three most recent certified state valuations prior to the most recently certified state valuation.

Occasionally, a municipality experiences a significant, unpredictable loss in its overall property value. If this loss is due to an event involving a single taxpayer, such as a business closing or losing part of its operations after a natural disaster, state law provides that the municipality may be eligible for an immediate adjustment to lower its state valuation amount, thereby resulting in some monetary assistance from the state through increased municipal revenue sharing and education funding starting in the following fiscal year.

In addition, 36 M.R.S. § 208-A(6) requires that the State Tax Assessor provide an annual report to the Joint Standing Committee on Taxation identifying the requests for state valuation adjustment from each municipality during the prior year and the State Tax Assessor’s determination regarding each request. The report also must list the amounts of any payments made by the Commissioner of Education under 36 M.R.S. § 208-A(5)(A). This report pertains to those municipalities that filed requests during fiscal year 2023.

II. Adjustment for Sudden and Severe Disruption of Valuation Overview

In part, 36 M.R.S. § 208-A(1) provides that “[a] municipality requesting an adjustment under this section must file a petition, with supporting documentation, with the State Tax Assessor by March 31st of the year following the tax year in which the sudden and severe disruption occurred.” Further, 36 M.R.S. § 208-A(2) clarifies, as follows, when a “sudden and severe disruption” occurs:

A municipality experiences a sudden and severe disruption in its municipal valuation if:

- A. The municipality experiences a net reduction in equalized municipal valuation of at least 2% from the equalized municipal valuation that would apply without adjustment under this section;
- B. The net reduction in equalized municipal valuation is attributable to the cessation of business operations, removal, functional or economic obsolescence not due to short-term market volatility, or destruction of or damage to property resulting from disaster attributable to a single taxpayer that occurred in or was not reasonably determinable until the prior tax year; and

- C. The municipality's equalized tax rate of residential property following the sudden and severe disruption in municipal valuation exceeds the most recent state average of residential property for which data is available.

For purposes of this subsection, "removal" does not include property that was present in the municipality for less than 24 months. This subsection does not apply to property acquired by a municipality that otherwise could seek relief pursuant to this section.

36 M.R.S. § 208-A(3)(C) provides that if the State Tax Assessor determines that the municipality qualifies for an adjustment under 36 M.R.S. § 208-A, "[t]he State Tax Assessor shall adjust subsequent state valuations until such time as the state valuation recognizes the loss" and "[t]he State Tax Assessor may limit the time period or amount of adjustment to reflect the circumstances of the sudden and severe loss of valuation." Further, the Commissioner of Education and the Treasurer of State use the adjusted state valuation for calculating the education funding and revenue sharing amounts distributed to the municipality for the following fiscal year.

Finally, 36 M.R.S. § 208-A(4)(B) provides that if a request for an adjustment is denied in whole or in part, the State Tax Assessor must send written notification to the municipality and, within 30 days of notifying the municipality, provide the Joint Standing Committee on Taxation with a copy of the notification.¹

III. Sudden and Severe Disruption Filings Made During Fiscal Year 2023

The State Tax Assessor received no requests for adjustment of equalized valuation under 36 M.R.S. § 208-A during fiscal year 2023.

¹ The State Tax Assessor's written determination constitutes final agency action that is subject to review by the Superior Court per 36 M.R.S. § 208-A(4)(A).