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Senator Nicole Grohoski and Representative Joe Perry
Co-Chairs, Taxation Committee, State of Maine Legislature
Room 127, 100 State House Station Augusta, Maine 04333

RE: Statement for LD 1258, An Act To Adjust Personal Property Tax Exemption for Farm Machinery

Dear Senator Grohoski, Representative Perry, and the Taxation Committee:

I am Ben Hartwell, a farmer/rancher and former town councilor in Gorham, and an attorney. I originally proposed this bill through Maine Farm Bureau in the 129th Legislature. This is essentially the same bill. The taxation committee previously passed the bill, it was carried over and died in appropriations.

Personal property tax was something that was never really on my radar until about 2014. Gorham's long-time tax assessor retired, and the Town Council was faced with the decision to try to replace him or contract with Cumberland County to take over assessing services. The council decided to contract with the county.

One of the consequences of contracting with the county was that the County Assessor realized that many businesses, including farms, were not being assessed personal property tax. She reached out to the businesses that were somewhat easy to find and required them to submit a form declaring their assets. It turns out that, like many communities throughout Maine (and not legally), assessors were instructed to turn a blind eye to some businesses.

Farms that were assessed have an exemption under 36 M.R.S.A. §655(M), specific to field and hay crop equipment which provides a personal property tax exemption of \$10,000 for specific equipment only used for part of the season. It was determined decades ago that you shouldn't treat a hay mower used a few months of the year the same as a lathe in a machine shop used daily. Back in 1977, the exemption was doubled from \$5,000 to \$10,000 to adjust for inflation but has not been adjusted since. This bill seeks to simply adjust \$10,000 for inflation. Because the bill was copied from 2019, it actually adjusts the exemption to 2019 dollars, not 2023 dollars. This is an amendment the committee may want to consider.

There are two programs that I'm sure you are aware of, BETE and BETR. BETE is available to exempt equipment put into service after 2007 and BETR provides reimbursement for equipment that isn't exempt under BETE but was put into service after 1995 and wasn't exempt under §655(M). Many farms have older equipment that doesn't fall under BETE, and if they want to use BETR they have to pay the taxes and then wait about a year to get a reimbursement. Isn't it better to just allow the exemption and not have to deal with a reimbursement? Further, Maine Revenue Services tells us that BETE and BETR is only available for equipment that is new to Maine. In other words, if I go to an equipment dealership and buy something used, it's no longer available for BETE and BETR. If you look at the inventory of used equipment at tractor dealerships and talk to any farmer, they'll likely tell you that they have a significant amount of equipment that was purchased used.

Another thing to keep in mind is the depreciation tables that most municipalities use do not depreciate at the same rate that excise tax tables do. For example, in Gorham, no matter how old the equipment is, it never gets assessed at lower than 30% of its original value!

I urge you to support amending §655(M) to adjust the \$10,000 exemption for field and hay crop equipment for inflation and vote "ought to pass" for LD 1258.

Sincerely,

Benjamin E. Hartwell, Esq.
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Gorham, Maine