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Testimony in support to LD 1206, An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee, my name is Brenda Cummings, and I am the Assessor for the City of Bath, located in Sagadahoc County. Thank you for the opportunity to provide testimony for your consideration.

LD1206 is an important effort to address a fundamental problem caused by the Business Equipment Tax Exemption (BETE) program. Since BETE's inception in 2007, the amount of personal property eligible for the exemption has grown exponentially. In Bath, much of our overall growth in BETE, which has increased 9-fold since 2012, is due to Bath Iron Works.

This growth in BETE personal property means that, today, over 5% of Bath's tax rate is making up for local personal property valuation that is not reimbursed by the State of Maine.

A community's tax rate is created each year with a pretty simple equation: Total Budget/Total Taxable Valuation=Tax Rate. At commitment time, this can look complicated, because before we get to the Total Budget line, we have to take into account municipal revenue sharing, reimbursements, and other income sources, but the end result is basic math.

Every exemption a municipality provides that is not reimbursed from non-municipal sources results in an incrementally larger tax rate, because every exemption reduces the Total Taxable Valuation part of the equation. Every session of the legislature has taken up proposals to modify the homestead exemption, for example, and there has been great attention paid to increasing and codifying the percentage that the State must reimburse municipalities for the revenue lost by the homestead exemption.

In Bath, \$10,074,000 in valuation was lost in 2024 due to the unreimbursed portion of the homestead exemption, or \$166,221 in potential tax revenue. This added \$0.09 to our tax rate. Unreimbursed Business Equipment Tax Exemptions (BETE) caused Bath to lose the benefit of \$98,928,611 in valuation, or \$1,632,322.08 in lost revenue. This is more than ten times the revenue lost to the homestead exemption. Bath's tax rate in 2024 would have been \$0.83 less were BETE fully reimbursed by the State of Maine.

Not every community has the amount of BETE valuation as the City of Bath, but many have lost a large (and ever-increasing) amount of potential tax revenue due to the BETE exemption. In 2024, \$139,477 of the \$1.6 million in lost personal property revenue was from non-BIW-related personal property that is eligible for BETE, an amount quite similar to revenue lost in Bath due to unreimbursed homestead exemptions. This indicates that many communities, even non-service center communities, may be impacted by the unreimbursed portion of the BETE exemption.

The BETE program was designed to support capital investment by non-retail businesses. As with other partial exemptions to property taxes, such as the current use programs, it is reasonable that local taxpayers support some of the costs of exemptions that provide both local and state-wide benefits. But the taxpayer costs associated with BETE are far larger than the impact of any other such exemption (as noted above). The BETE burden is also disproportionately large for communities with a large industrial tax base.

The BETE program was created with a circuit breaker for communities with large amounts of exempt personal property, and Bath annually benefits from a net 60-61% level of reimbursement rather than the standard 50%. However, it seems the circuit breaker is not working as designed if the result is Bath taxpayers are losing over six times the property tax revenue and paying six times more in taxes due to the BETE exemption than the revenue loss and tax rate cost of all other similar exemptions combined (\$0.83 versus \$0.13 change in the tax rate, or \$1,632,322 in lost revenue versus \$242,017).

In a separate submission, I have attached the slides I created for a January 2025 Bath City Council meeting regarding this issue. I am happy to answer any questions you may have regarding this issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brenda Cummings", with a stylized flourish at the end.

Brenda Cummings, CMA
Assessor, City of Bath

Additional Note: At the hearing today, the City was asked to share the percentage that BIW is of our tax base. This is a complicated question, in part because of the impact of reduced BETE reimbursements. However, industrial property was 31% of our taxable real estate valuation in 2023 and was 28% of our taxable real estate valuation in 2024, due to the dramatic rise in residential property values (often referred to as the “tax shift” to residential property owners). The City of Bath will provide additional information on BIW’s valuation as requested by the committee for the work session.