

Testimony for LD 1464

Senator Grohoski, Representative Cloutier, esteemed members of the taxation committee

My name is Sam Purinton, I'm a resident of Gorham, and I am here today to testify in support of LD 1464.

The intent of this bill is to clarify whether or not towns are able to shift tax burden away from the value of improvements and onto the value of the land, aka a "land value tax". While there are members of local governments that are interested in exploring a land-value tax (Gorham town councilor Lou Simms will submit written testimony in support of this bill), they have been stymied by folks who believe that such a tax policy is unconstitutional.

However, there seems to be precedent for creating different classes of property and taxing them at different rates. From the Maine Law Library "... a municipality is entitled to create various classes of property and impose different tax burdens on those respective classes, those divisions and burdens must be reasonable, based on the character of the properties or on policy." (Petrin v. Town of Scarborough (2016) Me., 147 A.3d 842 , corrected. Constitutional Law 3562 ; Taxation 2135. Also, Maryland, which has a tax equality clause in their constitution similar to Maine's, has found that towns are able to enact a split rate tax (which is a type of land value tax) (See Maryland 1995 Attorney General opinion 80oag316).

If the committee believes that this bill is not the best way to clarify the constitutionality issue, we are open to other approaches. As Nancy Smith of GrowSmart Maine will testify, we already have language for a proposed amendment to clarify the intent and goals of this bill. We are open to suggestions to amend this bill to better serve its goal.

But what is a land value tax? A land value tax is when a property tax is levied only on the assessed value of a property's land, as opposed to the current property tax system of levying taxes on building and land value together. For those who own property, every year you receive a tax bill in the mail. It shows the assessed value of buildings, of land, and of other things (like "furniture" in Gorham. Which is always \$0.00). The way property tax works now, the value of the buildings and the value of the land on that tax bill are taxed at the same mill rate. This bill would make it clear that towns have the option to not tax the buildings/improvements on a tax bill and levy a higher mill rate on the land portion of the value to make up the difference.

Why is land value tax good? Well, imagine you're a homeowner and you want to build an apartment above the garage. What happens to your tax bill? It goes up. What happens when the abandoned house next to you falls down? That property owner gets a tax break. If only the value of the land is taxed, the homeowner adding an apartment over the garage doesn't see a tax increase, and the owner of an abandoned, falling down property doesn't see a tax break. Thus, a land value tax is a great way to discourage speculation and encourage enterprising property owners to improve their property.

You might be thinking “Ok that’s pretty cool, but how does it affect the community more broadly?” Well, shifting the tax burden away from buildings and onto land means that owners of vacant lots in high value areas would be incentivized to “Develop or get off the pot”. That means that development would be easier in growth areas, and being able to develop more in main streets and villages means less development pressure on the edges of town (which tend to be natural areas or farmland). At the same time, it means enterprising property owners would be more able to afford adding housing units, like with an over the garage apartment or small cottage in the back yard, because their tax bill doesn’t go up for improving their property.

You might be wondering “Wow that sounds good. Almost... too good. Has this actually been tried?” Yes! Pennsylvania allows towns to do a land value tax, and towns in PA that have done it see way more housing built than places that don’t, while also creating a tax break for a majority of residents, especially those in poorer neighborhoods. As one example, in 1979-80 Pittsburgh implemented a split rate tax where the value of land was taxed at 5 times the value of buildings and improvements. Between 1980-2000 (which was generally not a great time for rust belt cities), Pittsburgh saw a 70% increase in construction permits. Every other major rust belt city saw a decrease in construction permits, except Columbus Ohio, which saw an increase of 15% due to annexing neighboring places. Pittsburgh also saw an annual increase of housing construction of 8.4%.

You might be thinking “But Mr. Purinton! This is unfamiliar! What about unintended consequences?” Well, all we are trying to do with this bill is ***give towns a tool in their toolbox***. It’s the town’s prerogative to decide if this is right for them, while also taking measures to protect against unintended (negative) consequences. Nancy Smith of GrowSmartMaine will speak about the way we envision towns using this tool, like by focusing on designated growth areas or commercial zones.

Giving towns clarity about this issue is a noble goal, and I hope you will support this bill and our attempts to grant that clarity.

Thank you for your time and support.
Sam

Links:

[Study of Pittsburg](#)

[Summary of land value tax in PA](#)

[Housing study](#)

TABLE 3
AVERAGE ANNUAL VALUE OF BUILDING PERMITS
DUN AND BRADSTREET DATA

	1960-79	1980-9	Percent Change
Akron	134,026	87,907	-34.41
Allentown	48,124	28,801	-40.15
Buffalo	93,749	82,930	-11.54
Canton	40,235	24,251	-39.73
Cincinnati	318,248	231,561	-27.24
Cleveland	329,511	224,587	-31.84
Columbus	456,580	527,026	15.43
Dayton	107,798	92,249	-14.42
Detroit	368,894	277,783	-24.70
Erie	48,353	22,761	-52.93
Pittsburgh	181,734	309,727	70.43
Rochester	118,726	82,411	-30.59
Syracuse	94,503	53,673	-43.21
Toledo	138,384	93,495	-32.44
Youngstown	33,688	11,120	-66.99
15 city average	167,504	143,352	-14.42

Note: All data are in 000's of constant 1982 dollars.

Table showing percent change of building permits for rust belt cities in the time when Pittsburgh had a split rate tax (a type of land value tax)