

Betsy Fitzgerald  
Machiasport  
LD 1795

Testimony

LD 1795: An Act to Change the Calculation for Municipal Service Charges for Tax-Exempt Organizations

Senator Grohoski, Representative Cloutier and members of the Taxation Committee. My name is Betsy Fitzgerald and I reside in Machiasport, in Washington County. I am presenting testimony in favor of LD 1795, An Act to change the Calculation for Municipal Service Charges for Tax-exempt Organizations. My thanks to Senator Moore for introducing this proposal and for Representatives Tuell, Strout, and Mingo for their support.

This proposal seeks to provide some assistance and perhaps relief to taxpayers, at the very least to re-invigorate a conversation on the topic.

No one disputes the beauty of the State of Maine coast or any other area in the state; just look at the real estate listings for an appreciation of how others value the properties. The property tax is the foundation of government funding. For municipalities, the cost of providing services comes directly out of the residents' pockets. It is here that my concern lies.

Tax-exempt organizations pepper the entire state and their missions are important. I certainly appreciate the work they do, the access they provide to undeveloped areas of the state, the educational opportunities they make available, and the assistance they provide to the general population. Their presence in a municipality is usually appreciated. However, their ownership of property creates an imbalance when it comes to providing the financial support for municipal services.

Every time a piece of property is conserved, which is laudable, it is removed from the tax rolls. That gap must then be filled by the remaining taxpayers if municipal services are to be continued at the expected level. As you all are well aware, the costs of providing the services, such as fire protection, law enforcement, education, road work, solid waste, and registering a vehicle, have done nothing but increase.

The most obvious example is educational funding. Many towns in my area are deemed minimum receivers of funds to support education because their geographic boundaries include shore frontage or lakeshore. Those unique vistas add millions to the total valuation of the municipality, hence reducing the need for funding, at least on paper. Left are still the same number of residents who have to wrestle with the costs of maintaining the level of services or support of the schools.

As I am sure you are all aware, payment in lieu of taxes was designed to somewhat address that gap. Tax-exempt organizations are just that, tax exempt. The assessed value of an organization and therefore its tax obligation can easily be calculated. Recognizing and appreciating the value that a tax-exempt organization provides should not come with a penalty. Expecting an organization to be a good municipal neighbor should. To be fair, most organizations are good neighbors, it's a matter of the source of the dollars.

LD 1795 seeks an annual service charge of no more than 20% of the assessed value of the organization's real estate which is a change from the previous 2% of the gross annual revenue of the group. When compared to a tax bill that would go to a business if not tax-exempt, the invoice is considerably less. It can be a significant difference.

I spoke with several town offices and assessors in my area of the state and I am including their information as illustrations of the gap that exists. The Town of Cherryfield estimates \$806,000 exists. That's 5% that taxpayers shoulder. Machiasport reported 25%, and Roque Bluffs reported 20%. According to their assessor, the Town of Addison has \$8,534,600 in exemptions on its' books and Jonesport shows a total of \$12,870,100. The Town of Lubec is closing in on 50%. These are significant numbers, and this is just Washington County, where 18.5% of

the population is reported under the federal poverty line and where it is calculated that 25% of the County is held in conservation.

Before you dismiss these statistics because some are percentages and some are dollars and I didn't even add the towns that reported theirs in acreage or suggest that shore frontage was the culprit, it has to be acknowledged that (1) there is a gap; (2) it is significant; and (3) taxpayers are left holding the proverbial bag.

So, what to do. LD 1795 opens the door for several things. First of all, it calls attention to and acknowledges the gap, a pretty simple task in itself. Secondly, it shines a spotlight on the funding formulas that penalize towns with valuable acreage by minimally supporting them and specifically their educational systems. Thirdly, it suggests that attention needs to be paid to the issue, present tense.

Thank you for your consideration of this issue.

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