

Testimony of the Maine Municipal Association
In Support of

*LD 1795, An Act to Change the Calculation for Municipal Service Charges for Tax-exempt
Organizations*

May 6, 2025

Senator Grohoski, Representative Cloutier and members of the Taxation Committee, my name is Kate Dufour, and I am submitting testimony in support of LD 1795 on behalf of MMA's Legislative Policy Committee, which establishes the association's positions on all municipally relevant legislation.

According to the information reported in Maine Revenue Services' 2023 Municipal Valuation Return Statical Summary, \$7.6 billion in benevolent and charitable and literary and scientific property was exempt from taxation. When applying the statewide full value mil rate of \$10.60, that results in a loss of \$81 million in property tax revenue statewide. This tax policy impacts both Maine's largest service center communities, who host hospitals, private colleges and other social service entities, and communities in Washington County, whose land is conserved in large swaths, resulting in valuable ocean front property being removed from the taxable rolls.

While some might point to the authority under current law allowing municipalities to enter into "payments in lieu of taxes" with fully exempt entities, it is an option tipped in favor of the exempt institution. As provided, the law does not require entities to make payments but instead leaves it the exempt institution to first decide whether to do so, and then to determine the value of the payment and whether payments will be made annually. In a nutshell, the remaining property taxpayers have no real say in this process.

While nonprofits entities are valued members of our communities, and provide needed services, they do, however, rely on municipal services, primarily public works and public safety, which are funded by the remaining property taxpayers. This has the impact of adversely affecting the homeowners the Taxation Committee, through several pieces of legislation, has been asked to assist this session, including seniors and veterans.

In the minds of municipal officials, being required to pay for law enforcement services, as an example, is no different than paying for utility services, materials and supplies, and other vender services.

LD 1795 seeks to bring balance to the process by authorizing, but not requiring, municipalities to assess annual services charges on exempt institutions. To ensure that the scales do not tip too far in the opposition direction, the authority provided to municipalities is limited in two ways. First, the service charge must be related to the revenue necessary to fund the services

actually provided to the entity. Second, regardless of the value of the services received, the fee is limited to 20% of the assessed value of the property.

This bill simply seeks to provide municipalities with the ability to better assess fees to users of municipal services and thereby relieve some of the burdens placed on the remaining property taxpayers. While municipal officials understand that these tax-exempt organizations are integral parts of our communities, they should nevertheless be required to pay for a portion of the services received.

Thank you for your time and consideration of the municipal perspective on this issue.