



City of Old Town

TO: Maine State Legislature Taxation Committee
FROM: Bill Mayo, Old Town City Manager
RE: LD 2006
DATE: 01/05/2023

The City of Old Town supports an amendment to the Sudden and Severe Loss in Value statute that would;

- Direct Maine Revenue Services to separately recognize the specific one-time funds that a community uses from undesignated fund balance to mitigate an extreme tax revenue loss, in the year following an event that qualifies for sudden and severe.
- Direct Maine Revenue Services to not use these one-time funds specifically approved from undesignated fund balance to mitigate the impact of losing a large taxpayer that rises to the level of sudden and severe approval in the municipal revenue sharing calculation.
- We realize that this will have little effect on most communities, but for those that find themselves in our situation this is a major piece of the community's ability to realign priorities and recover financially.
- For communities that suffer such large losses in tax revenue suddenly, this change will be an important piece of recovery.
- In Jay recently, we understand the impact of the law as currently written was a loss of approximately \$600,000 in revenue sharing for the year after qualifying for a sudden and severe loss in valuation calculation.
- Adoption of the amended language will solve this problem for any community that finds themselves in a similar situation in future years.

The City of Old Town requests that the Sudden and Severe Loss in Value revenue adjustment payment be made in the same fiscal year that the Sudden and Severe Loss in Valuation application is approved.

This requested change in the statute is necessary to avoid the delay causing what amounts to a second wave of financial stress on the community.

If the Sudden & Severe adjustment payment isn't made until the year following the application approval, the community is put in a place that they must consider using reserve funds to help mitigate the impact on the taxpayer. This use of reserve funds will then, under the current law, be used in the Maine Revenue Sharing calculations of the following year, which will reduce the amount of revenue sharing the community is due to receive.