



Denise Tepler
Senator, District 24

THE MAINE SENATE
132nd Legislature

3 State House Station
Augusta, Maine 04333

Testimony of Senator Denise Tepler introducing L.D. 1206, *An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover*

Before the Joint Standing Committee on Taxation

April 2, 2025

Senator Grohoski, Representative Cloutier, and distinguished members of the Taxation Committee, I am Denise Tepler, representing Senate District 24, all of Sagadahoc County and the town of Dresden in Lincoln County. I am here today to present L.D. 1206, "An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover."

As you know, the Business Equipment Tax Exemption (BETE) program is meant to encourage capital investment by non-retail businesses in communities and it exempts certain personal property from taxation. There is a partial reimbursement to communities for lost tax revenue. BETE-eligible businesses include laundromats, car washes, hotels, apartment owners, contractors, and manufacturing businesses (such as Bath Iron Works and Custom Composites).

In the 2020 OPEGA evaluation of the BETR and BETE tax program it was found that "... the programs likely have only limited impact on encouraging capital investment -neither program includes design elements that specifically encourage capital investment (that wouldn't have otherwise occurred) and the value of the cost savings is relatively small(.)" The evaluation also found that, "Municipal administration mandated under BETE can also be labor-intensive and time-consuming. Since BETE's enactment, municipalities have been paid by the state at a rate of \$2 per application. OPEGA finds this rate to be inadequate to cover 90% of local costs as required by the Constitution of Maine." Yet, this committee chose to retain this tax exemption and make few changes to the program since this evaluation..

In the district I represent, the City of Bath has a unique dilemma, BETE-eligible personal property has surpassed taxable personal property. This is due to the fact that since 2012, BETE-eligible property has grown from 28.2 million to \$251.2 million in 2024, an almost nine-fold increase in 12 years. The circuit-breaker provision in the BETE program that would increase reimbursement for communities that have a large percent of personal property has failed. This program is meant to provide municipalities with some sort of recompense, but ultimately has cost taxpayers in the City of Bath who now must cover the unreimbursed portion of BETE. Although the tax value lies in Bath, the city cannot benefit from it. I suspect there are other municipalities in this situation.

The involvement of municipalities in this exemption was created because municipalities can benefit when their businesses prosper and grow. However, the prosperity and growth of General Dynamics Bath Iron Works is far more dependent on federal contracts with the U.S. Navy, than on a tax break for equipment in which they invest. The City of Bath is not benefiting from the tax break they are giving BIW for personal property they purchase to meet their contractual obligations.



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Since this committee has chosen to retain the BETE tax exemption despite the 2020 OPEGA evaluation giving the program a less than stellar value, I believe the State should protect property taxpayers by gradually increasing the state's reimbursement to municipalities.

I urge this committee to vote Ought to Pass on LD 1206. I'm happy to answer any questions you may have. Please direct questions about the situation in Bath to City Manager Marc Meyers and Bath City Council President Miriam Johnson who have joined us this morning to support the bill.

Thank you.

Denise Tepler
State Senator, District 24