



BATH
MAINE *City of Ships*

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Senator Grohoski, Representative Cloutier, and Honorable Members of the Joint Standing Committee on Taxation,

Thank you for the opportunity to address the committee today. I am a resident of Bath and I currently serve as the Chair of the Bath City Council. **I am here today to speak in support of L.D. 1206, “An Act To Control Property Taxes By Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover”** because the taxpayers of Bath have seen a disproportionate and negative impact from the Business Equipment Tax Exemption (“BETE”) program as it is written and administered today.

Bath is a small community of fewer than 9,000 residents with a large, equipment heavy business in our midst. We pride ourselves on being the City of Ships, so much so that our high school mascot is the Shipbuilders, but BETE in its current iteration punishes Bath residents for our shipbuilding heritage.

As you know, BETE was drafted with a phased-in deescalating reimbursement formula: when it was first enacted, municipalities were reimbursed at 100% of any lost revenue. By 2013, that rate of reimbursement dropped to 50%, with a formulaic enhancement based on taxable personal and real property in the community – more about that enhancement later.

In Bath, the total value of business equipment claimed under this program has grown in recent years. In 2012, the amount claimed by local businesses was \$28.2 million. In 2024, largely the same businesses claimed \$251.2 million. One might reasonably ask: does that mean Maine businesses have been relying on the BETE program to permit them to make investments in their businesses? The answer is a resounding no. In 2020, the Office of Program Evaluation and Government Accountability (“OPEGA”) conducted a review of the BETE program and concluded that the program is difficult for municipalities to administer, hurts the local tax base, and – most importantly in answering the question posed – is not a determining factor for capital investment.

This double whammy – a decrease in state reimbursement at the same time as our local business have increased their exemptions nine-fold – resulted in the City of Bath losing over \$1.6 million in revenue in 2024. In a city of our size – where our entire city budget for 2024 was just under \$19 million – that lost revenue is significant.

I said I would come back to the formulaic enhancement to increase the amount of revenue. In 2024, Bath was reimbursed for BETE expenses at 60%. How did we increase this from the standard state reimbursement rate of 50%? Simple. We made sure that personal property tax was assessed at greater than 90% of market rate. Bath is a beautiful, desirable city to live in and we have not been immune to rising property valuations. This has created a triple whammy for many Bath homeowners. It means that their homes are being valued as close to market rate as possible in order for the city to see the greatest reimbursement possible under the BETE program.

Bath is not a wealthy community. Our median income is \$63,023, 8% lower than the state average. In 2022, the median home value in Bath was \$249,900. Residential taxpayers are now absorbing more of the burden of the BETE exemptions. In 2024, 5.03% of the property tax rate went towards subsidizing the funds we were not reimbursed under BETE. For a homeowner of a home valued at \$250,000, that Bath property taxpayer paid \$207.50 to subsidize this state program.

On behalf of the Bath City Council, I am asking this committee to reassess the BETE program with special emphasis on how communities such as Bath are disproportionately impacted. **As part of this process, I urge you to vote “Ought to Pass” on L.D. 1206, “An Act To Control Property Taxes By Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover.”**

Thank you for allowing me to share my perspective with the committee.