



BATH
MAINE *City of Ships*

OFFICE of the CITY MANAGER

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Testimony in support of LD 1206, An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover (April 2, 2025)

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee, my name is Marc Meyers and I am City Manager for the City of Bath, located in Sagadahoc County. Thank you for the opportunity to provide testimony for your consideration.

This bill seeks to sustain business growth and investment through the Business Equipment Tax Exemption (BETE) program while addressing the increasing burden and inequity placed on municipalities and residential property taxpayers due to lost revenues and rising administrative costs.

The original intent of the BETE program in 2008 was to encourage capital investment and reduce the cost of doing business in Maine by exempting qualifying equipment from property taxes, with the State reimbursing municipalities for a portion of the lost revenue. The top 10 municipalities in BETE value include businesses, such as manufacturers, food processors and paper mills.

Bath is home to Bath Iron Works, one of the state's largest employers, which continually invests in its operations. More than 95% of the City's BETE-eligible personal property is in the shipyard. The value of BETE-eligible property in Bath has surged from \$28.2 million in 2012 to \$251.2 million in 2024 -- an almost ninefold increase in just 12 years. However, in 2017, the scope of BETE-eligible equipment expanded with inclusion of service-related industries. That personal property, previously taxable, is now exempt. Since the BETE program was created, additions to exemptions removed \$21,132,900 in taxable value from Bath. This is the equivalent of removing 70 single-family homes from the City's tax rolls (based on \$300,000 value).

At the same time, the percentage of municipal reimbursements has declined. Currently, Bath receives only 60% reimbursement under BETE. Over the past four years, the City is averaging nearly \$1.5 million in lost revenue annually from the BETE program. As a result, residential property taxpayers are shouldering an increasing share of the financial burden. In Bath's 2024 tax year, \$0.83 of the mil rate is attributed to the BETE subsidy. The program's impact on the City's mil rate (5.03%) surpasses that of all other current use programs, including farmland, open space, and tree growth, as well as other property tax exemptions combined (0.79%).

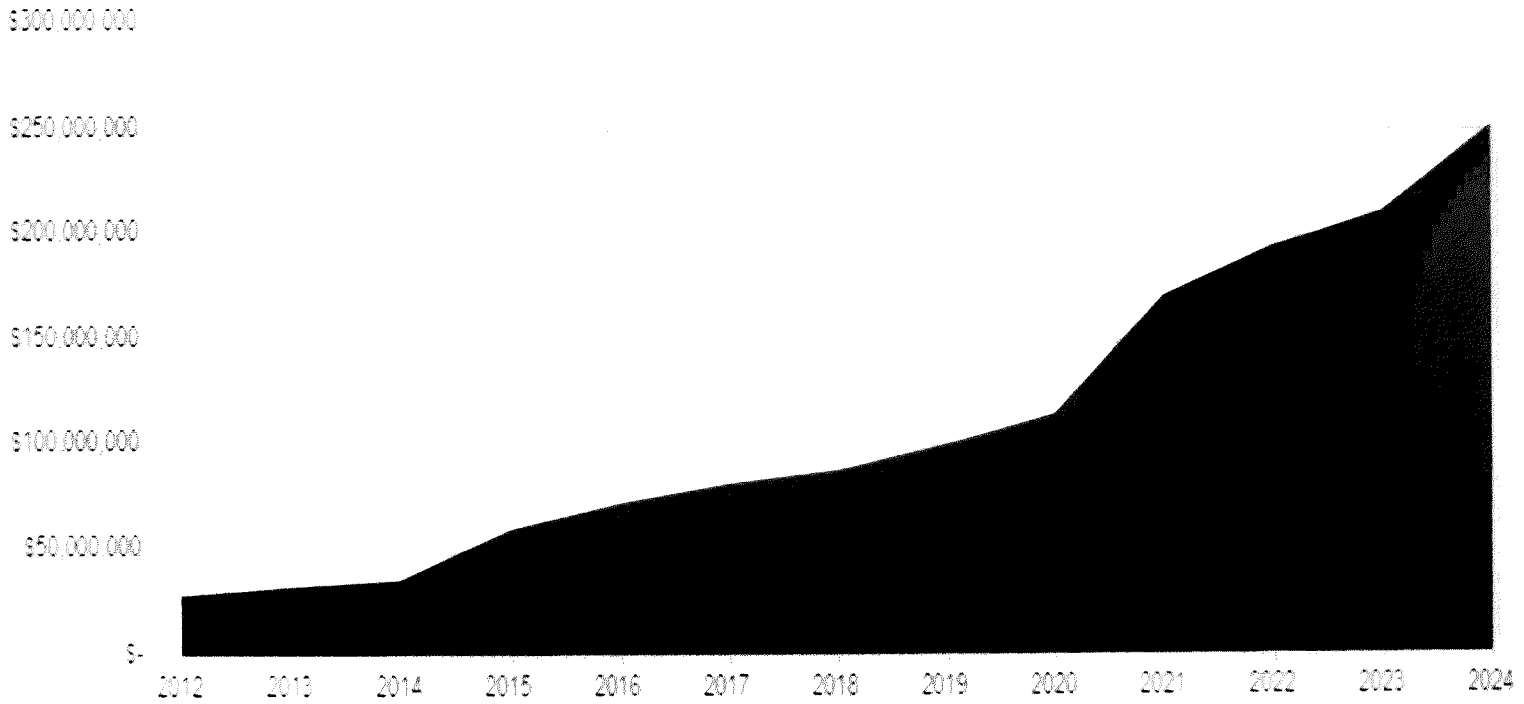
Additionally, since the program's inception in 2008, municipalities have been reimbursed for just \$2 per application processed. According to an evaluation by the Office of Program Evaluation and Government Accountability (OPEGA), this rate fails to cover 90% of local administrative costs as required by the State Constitution. Bath's Assessing Office processes 98 applications annually and it is a laborious process.

LD 1206 aims to relieve this burden on residential property taxpayers in Bath and other municipalities by gradually increasing the state's reimbursement rate to 80% by 2030. This adjustment will ensure that the BETE program continues to support business investment while restoring fairness to municipal budgets and local taxpayers.

Attached are trending graphs from 2012-2024 that show the total value of BETE unreimbursed BETE valuation, the total unreimbursed BETE valuation and percentage of tax rate subsidizing the BETE program.

Thanks again for the opportunity to provide this testimony in support of LD 1206, *An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover.*

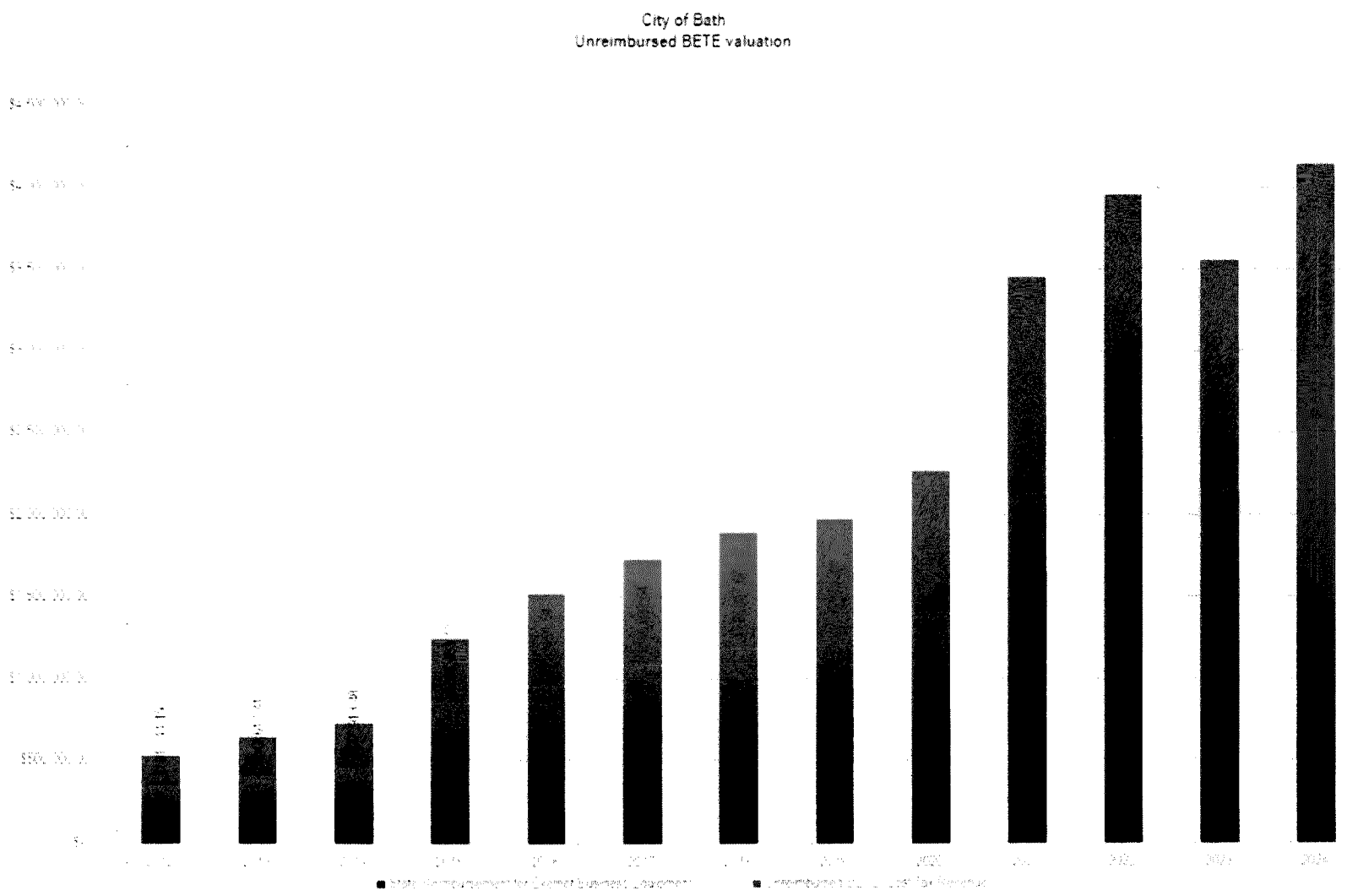
City of Bath Total Value - Exempt Business Equipment (BETE)



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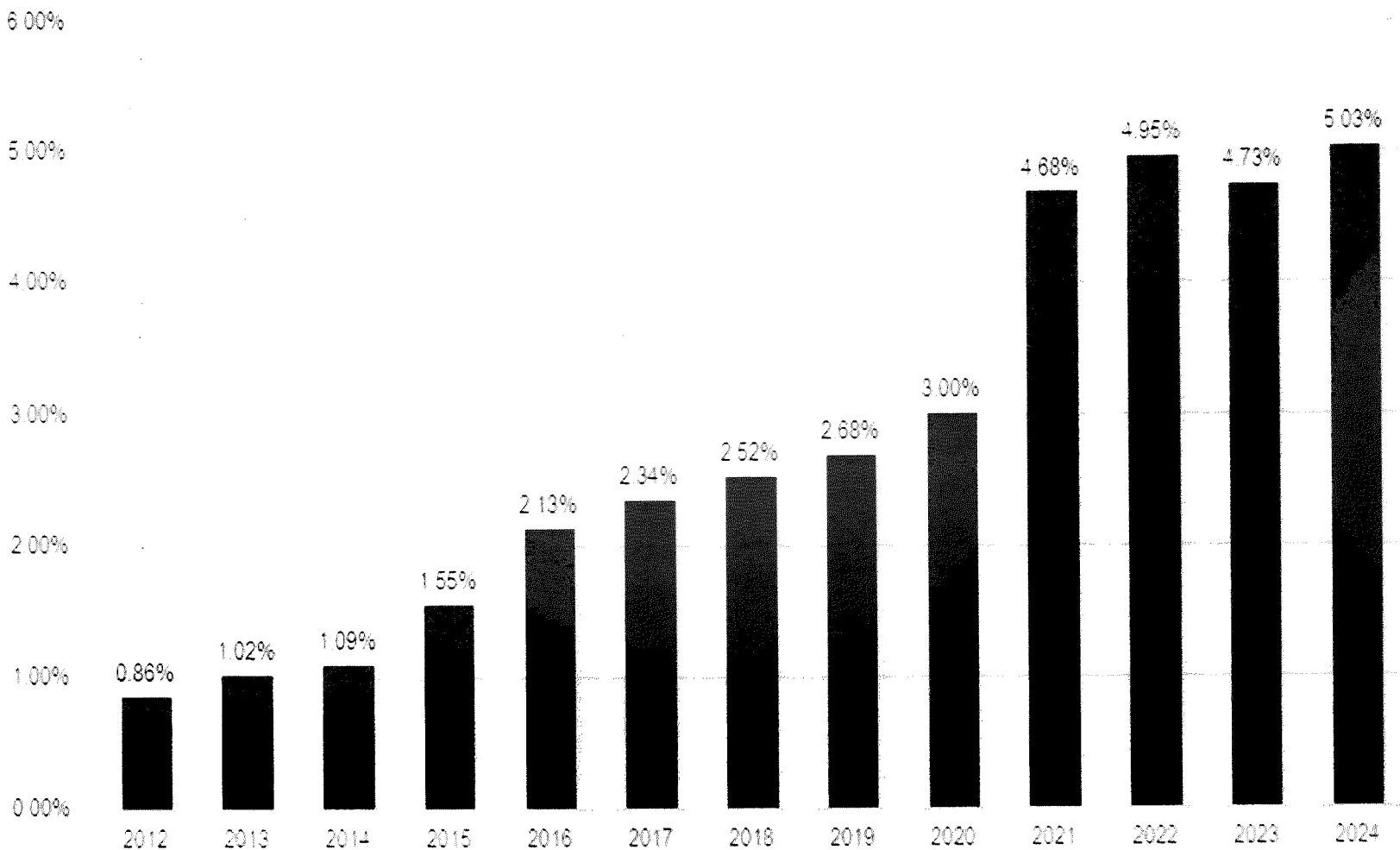


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City of Bath Percent of tax rate subsidizing BETE



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