

Town of Farmington

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April 8, 2025

TO: Joint Standing Committee on Transportation

RE: Testimony in Opposition to LD 1194 "An Act to Phase Out Vehicle Excise Taxes and Implement a Fee for Infrastructure Funding Based on a Vehicle's Annual Mileage"

Dear Senator Nangle, Representative Crafts and distinguished members of the Joint Standing Committee on Transportation,

We, the Select Board and Town Manager of the Town of Farmington, are writing to provide testimony in Opposition to LD 1194.

This bill, as proposed, will significantly affect the revenue needed to fund municipal operations in the Town of Farmington. As written, excise tax on new vehicles will be eliminated starting July 1, 2025, and the rates for older vehicles will reduce by 20% each year until eliminated by July 1, 2029. The bill is looking to replace the lost revenue with a usage-based infrastructure fee, but that fee is not set to begin until July 1, 2027, creating a two-year gap in funding.

Further the bill is very specific that new vehicles purchased by a licensed dealer in any state are exempt from excise tax, but it does not cover used or private sale purchases for current year models that would be at the first mil rate.

During our last fiscal year, Farmington collected approximately \$1.2 million in excise tax. In comparison, Farmington expends over \$2.8 million for road maintenance, repair, and paving (inclusive of personnel, equipment, contractual and capital costs). The total excise tax collected currently and historically is less than the actual road maintenance budget. Based on the fee structure outlined in the bill, it does not seem that the fee will generate sufficient revenue to offset the excise tax loss.

Excise tax is not additional revenue to municipalities but a critical non property tax revenue source. Of the \$1.2 million collected, approximately \$180,000 represents new vehicles. The immediate loss of that new vehicle excise revenue plus the loss of 20% of the remaining excise tax beginning July 1, 2025, is roughly equivalent to eliminating our Local Road Assistance Program funds immediately. The ongoing reduction in revenue will create a direct tax shift to the property taxpayers who are already being disproportionately affected by the many unfunded

mandates passed on to municipalities by the Legislature. This is particularly concerning for elderly taxpayers who make up 24% of Farmington's tax base.

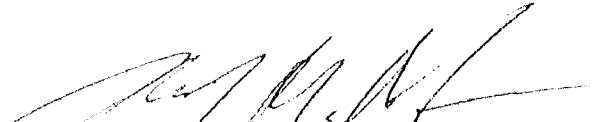
Additionally, how will the sale of new vehicles be handled when they are sold prior to the annual inspection and mileage collection and reporting? If the usage fee is based on annual mileage collected during the inspection, who is responsible for the fee when the vehicle is sold during the inspection year? Is a new owner now responsible for the prior owner's mileage when they go for a new inspection? These issues do not appear to be addressed in the bill.

Given the impact to municipal budgets, and the number of implementation questions that remain to be answered, we urge you to oppose LD 1194. Thank you for your consideration, and please do not hesitate to reach out with questions.

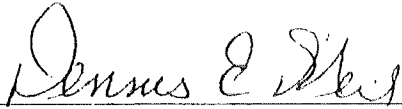
Sincerely



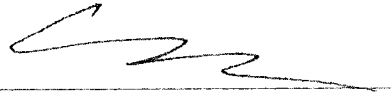
Matthew W. Smith, Select Board Chair



Richard M. Morton, Vice Chair



Dennis E. O'Neil, Selectman



H. Scott Landry, Jr., Selectman



Randall D. Gauvin, Selectman



Erica E. LaCroix, Town Manager

Cc: Senator Russell Black
Representative Stephan Bunker