



*No one likes* paying taxes, especially when they aren't sure how they're figured or where the money goes. For property owners, coming up with that one or two large payments each year feels more painful than .... sales taxes, which you pay in small amounts when you buy certain everyday items .... Or, income taxes, which most Maine workers pay in weekly or biweekly payroll deductions.

## *You control property taxes*

- In Maine, citizens:
  - Get a direct benefit from the property taxes they pay, and
  - Have control over how much is raised and where it will be spent.



*A public education project of the Maine Municipal Association, 60 Community Drive, Augusta, ME*

Citizens get a direct benefit from the property taxes they pay through the local services they receive. Through the Town Meeting or Council, citizens have control over the amount of money that is raised through property taxes and where it will be spent.

## *Town meetings & Elected Councils give direct local control*

- 90% of Maine municipalities have annual town meetings
- 10% have elected councils



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In 90 percent of Maine's municipalities, annual town meetings, with open floor debates and voting, are still the governing body that makes local taxing and spending decisions. In the remaining 10 percent of cities and towns where elected councils have final budget authority, there is a clear process that allows citizens to have great influence over taxing and spending decisions.

The self-governing that Maine citizens enjoy can only be sustained by engaged citizens who are willing to serve their communities, cast local votes based on solid and factual information, and make those decisions for the good of the entire community.

*You get valuable services for your taxes.*

- \$2.0 billion was raised in property taxes in 2008 to pay for:

**Education**

**Road Repair**

**Police Protection**

**Fire Protection**

**Solid Waste**

**Recreation**

**Libraries**

**Planning and Code Enforcement**

**General Assistance**



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Your tax dollars pay for many and varied services in your community.

## *Education is the most expensive service.*

- \$1.1 Billion in property taxes are spent on schools a year.
- Over 57% of property taxes fund K-12 Education.



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Of the \$2.0 billion raised in 2008, the cost of public education for students in kindergarten through grade 12 was the single biggest budget item for every Maine community, consuming \$1.1 billion, or 57 percent, of the total property tax revenue paid and spent each year in Maine.

That \$1.1 billion does not include state government's K-12 education funding each year, which brings Maine citizens' total financial commitment to education to over \$2.1 billion a year, or about \$10,500 for each of Maine's 199,000 students.

*Property taxes have paid for local services in  
Maine since Colonial times.*



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*Property taxes* have paid for local services in Maine since Colonial times. Hundreds of years later, there remains one major constant and one major difference.

Maine's town meeting form of government still gives direct power to voters to decide what services they want in their communities and how much they are willing to pay for them.

That ideal remains as treasured today as it was in the 1700s, as immigrants settled New England, and in 1820, when Maine became a state.

What has changed over time, however, is that property ownership is no longer a good indicator of a person's wealth or their ability to pay property taxes.

This becomes obvious during cyclical real estate booms, when home values increase far faster than personal income. People who own waterfront property can be particularly affected.

## *Homeowners and businesses pay property tax.*

- Property taxes are:
  - Based on the value of land and buildings.
  - Not collected from non-profit "charitable" institutions (hospitals and nursing homes), colleges, churches, and other organizations that are tax exempt.
  - Applied using the same tax rate for homeowners and businesses.



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*The property tax* rate in each community is applied to the value of land and buildings on all residential and commercial property. Both homeowners and businesses pay the same property tax rate, also known as the mill rate.

Most non-profit organizations such as hospitals, colleges, churches, trade organizations and social service providers, are exempt from paying property taxes.

## How is property assessed?

- According to the Maine Constitution and State law:
  - As of April 1<sup>st</sup> of each year
  - Based on fair market value by:
    - Comparing the selling price of similar properties,
    - Determining replacement value minus depreciation,
    - Evaluating income potential for income-producing properties.



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Tax assessors in Maine are required by law to determine the value of property as accurately and equitably as possible. The property tax is applied to the value of property as of April 1<sup>st</sup> of each year.

Tax assessors also are required by the State Constitution to assess property based on its “just value,” more commonly known as the fair market value, or what a willing buyer would pay a willing seller for a piece of property.

Market value is assessed by comparing the selling price of similar properties. Land and buildings are valued separately as part of your property assessment. The overall assessment of a home on a waterfront lot is often valued far higher than an identical home without water frontage.

Assessing the value of many waterfront homes can be an issue. During the most recent real estate boom in Maine the value of many waterfront homes increased about twice as fast as values on other types of property. Perhaps those hurt the most from the boom were homeowners who suddenly had far greater property wealth, but did not have a similar income growth to keep up with rising property tax bills.

In addition to sales-based calculations, tax assessors use two other methods to help determine property value. One method calculates the cost of replacing a building, minus how much the building has depreciated. The final method, which applies only to income-producing property, evaluates how much rental income that property could produce.



## *State law provides assessing standards.*

- Assessors are expected to:
  - Assess property at least at 70% of market value, and
  - Assess property equitably making sure similar properties are treated the same way.



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The Maine Legislature has enacted assessing standards to make sure municipalities tax property based on market value. One standard requires the assessing of property for at least 70 percent of its market value. Another standard requires that assessors value similar properties in a similar way and fairly.

## *Tax rates are based on each \$1,000 of value.*

- The property tax rate, or mill rate, is set by:

$$\frac{\text{Amount Voted to Raise by Property Taxation}}{\text{Total Value of the Community}} = \text{Mill Rate}$$

- Each mill = \$1.00 in taxes for every \$1,000.00 in property value.

- Example: A 10 mill tax rate applied to a \$200,000 home value equals a \$2,000 tax bill.



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Property taxes are levied based on a mill rate. The mill rate, or tax rate, is established by the town assessors, usually in mid-to-late summer, before new property tax bills are issued. The mill rate is figured by dividing the amount needed to be raised by property taxation which is the budget approved at town meeting or by the council by the total value of the community, as of April 1 of each year.

Each mill on the property tax rate represents \$1 in taxes on \$1,000 in property value. Therefore, if your home is valued at \$100,000 and your town's mill rate is 20, you would pay \$20 per \$1,000 in value, or \$2,000, in property taxes for the year. If the mill rate were 12, you would pay \$12 for every \$1,000 in property value, or \$1200 for the year.

## *Local control means "taking control."*

- Through direct local control, either through elected councils or, for the smaller communities, the annual town meeting, Maine citizens decide how much to spend on an array of services. They also have direct control to hold local government accountable to implement their decisions.



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*Maine residents* should be proud of the quality of life they have created with their property tax dollars. While state tax revenue is used to finance statewide programs and projects, it is local property tax payers who have made a commitment to clean and safe communities and whose money has financed the maintenance and improvement of Maine's legendary small towns and villages.

Through local control, either through elected councils or the annual town meeting, Maine citizens decide how much to spend on an array of services. They also can hold their local government accountable for implementing their decisions.

There are some basic municipal services that are so essential there is no debate in most communities over whether they are needed. They include fire, police and rescue services, trash disposal, road upkeep and upgrades, clean water and air, and enforcement of health and safety codes.

These services, and other popular local government services, such as libraries and recreation, are financed mostly with the property taxes that remain after the bills are paid to the school systems and the counties which totaled more than \$1.2 billion.

## *State programs provide property tax relief.*

- Revenue Sharing
- Circuit Breaker Program
- Homestead Exemption



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*The Maine Legislature*, influenced by citizens and municipal leaders, have enacted three key property tax relief programs over the past 30 years that have helped to reduce the burden on the Maine property taxpayer. In recent years, the Legislature has scaled-back on all property tax relief programs.

The oldest tax relief program is known as State-Municipal Revenue Sharing, which distributes a portion of all state sales and income taxes to Maine's nearly 500 municipalities. Each community receives its annual share based on population and property tax burden. The revenue sharing money received by a municipality must be used to reduce property taxes.

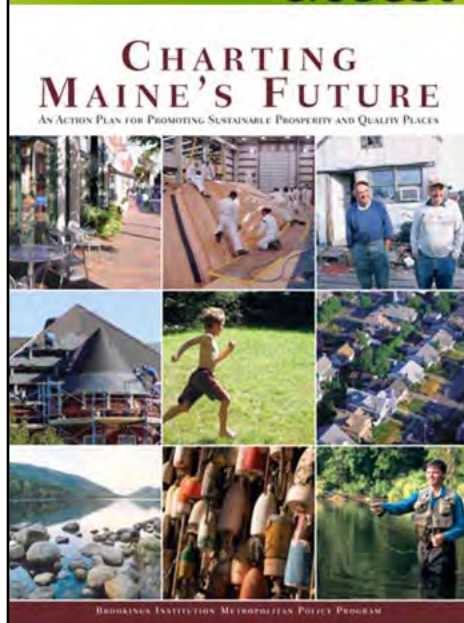
In 1987, the Legislature enacted the Circuit Breaker program, which offers direct tax refunds to property owners and renters who pay a certain amount of their income for property taxes or rent. Refunds can reach \$1,600 a year per applicant. Unfortunately, many people who qualify for the programs do not file for their refund. Citizens are urged to contact their local town or city office or the state's Bureau of Revenue Services in Augusta to apply for the refund.

In 1998, the Legislature again responded to public pressure and passed the Homestead Exemption in recognition of the property tax burden faced by Maine residents.

Originally, resident homeowners' property values were lowered by \$7,000 a year and the municipalities were held harmless by the state, which reimbursed them for all the lost property tax revenue.

The Legislature has changed the program many times over the last several years so that the current program provides an annual homestead exemption of \$10,000 for the Maine homeowner's primary residence, but the state reimburses each town and city for just 50% of the lost tax revenue.

## *Local government is the closest to citizens.*



A Brookings Institute Study confirms that Local government is the most accountable form of government in Maine.

Local government leaders continue to work toward property tax relief, with a goal of reducing the rapidly increasing costs of K-12 education, and other programs that would have a direct impact on municipal costs.

A recent study by the Brookings Institution of Washington, D.C., concluded that both school and state government structures needed spending reductions, while noting that municipal government in Maine, on the whole, provides services efficiently and without notable duplication.

Brookings also noted that local government remains the most accountable form of government in Maine.

## *You should know that . . .*

- For help with your tax or tax assistance programs:
  - Contact your local assessors (Selectmen) or assessor's agent.
- For help with general tax information or questions:
  - Maine Revenue Service, Property Tax Division
  - Maine Municipal Association, Resource Center.



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You should be informed about your property taxes and be active during the decision making process in your community when deciding how your money is spent.

For help with specific questions about your own property tax bill, please contact your local assessor or assessors' agent.

For help with the general process of property tax, please contact the Resource Center at the Maine Municipal Association. We cannot become involved in local disputes over specific issues, but would be glad to help you locate information and resources. Our website, [memun.org](http://memun.org), contains many useful links and resources that may be of assistance.

The Maine Revenue Service, Property Tax Division, is also available as a resource for you.

This has been a public education project of the Maine Municipal Association on behalf of its member cities and towns.