

# The Estimated First-Year Impact on Property Taxes of LD 1

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## Outline of Presentation

- Property Tax Relief Referenda
  - Maine Municipal Association (MMA)
  - Palesky Tax Cap
- Governor Baldacci's Property Tax Relief Proposal (LD 1 & LD 2)
- Estimated Impact of LD 1 on April 1, 2005 Property Taxes
- What next?

## Property Tax Relief Referenda

- November 2003 and June 2004: MMA referendum to require state to fund 55% of K-12 Education (Passed 55%-45%)
- November 2004: Palesky Tax Cap referendum to cap local mill rate at 10, roll-back property values to 1996 and restrict valuation increases to no more than the rate of inflation. (Defeated 37%-63%)

## MMA Referendum

- Require state to fund 55% of K-12 Education; an increase of \$250M per FY
- Requires Taxation Committee to develop a tax reform bill that will provide funding for K-12 increase and be "revenue neutral"
- State prevented from reducing other local funding to pay for referendum
- Potential for 15% reduction in property taxes



## Essential Programs & Services (EPS)

- Designed to measure the cost of K-12 education for each community to meet Maine's Learning Results
- Provides equity in education funding
- Answers the question "55% of what?"

## LD 1 & LD 2: Governor's Property Tax Relief Proposal

- Comprehensive approach to property tax relief
- Combine state's work on implementing EP&S and passage of MMA referendum by phasing-in both
- Place spending caps on state, county and local governments
- Set tax burden reduction goal
- Constitutional Amendment to limit growth in homestead land value

## Specifics of LD 1

- Institute EP&S and phase-in increase in education spending over 4 years (46.5% in FY06, 50% in FY07, 52.5% in FY08 and 55% in FY09)
- Translates into additional \$100 million in FY06 and \$178 million in FY07 for state's General Fund
- Spending caps on state, county and local governments to ensure tax relief
- Expand and clarify deposits and withdrawals from Budget Stabilization Fund

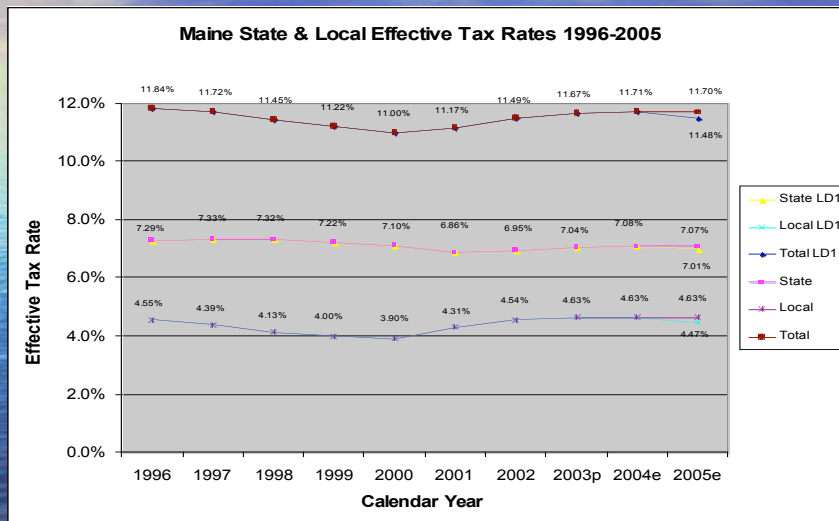
## Specifics of LD 1 (continued)

- Expand Homestead Exemption and require municipalities to fund 50%
- Expand Circuit Breaker program to upper middle income households
- Set goal of reducing tax burden to middle third of states by 2015; Annual report on progress
- No tax increase to fund additional education spending

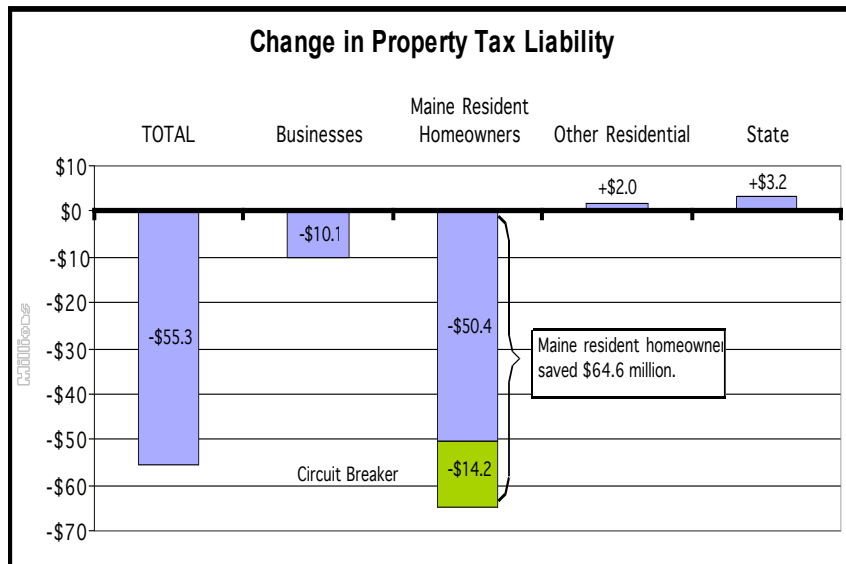
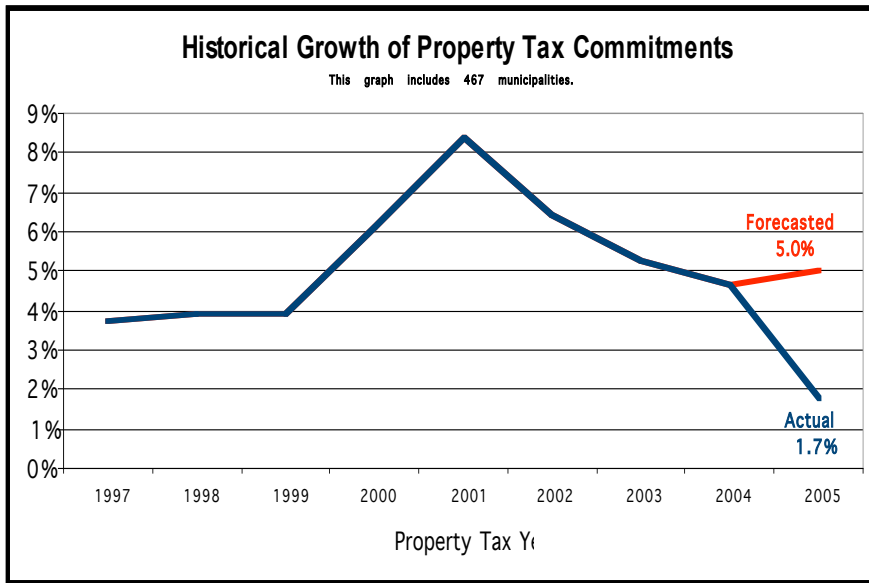
# Legislative Outcome

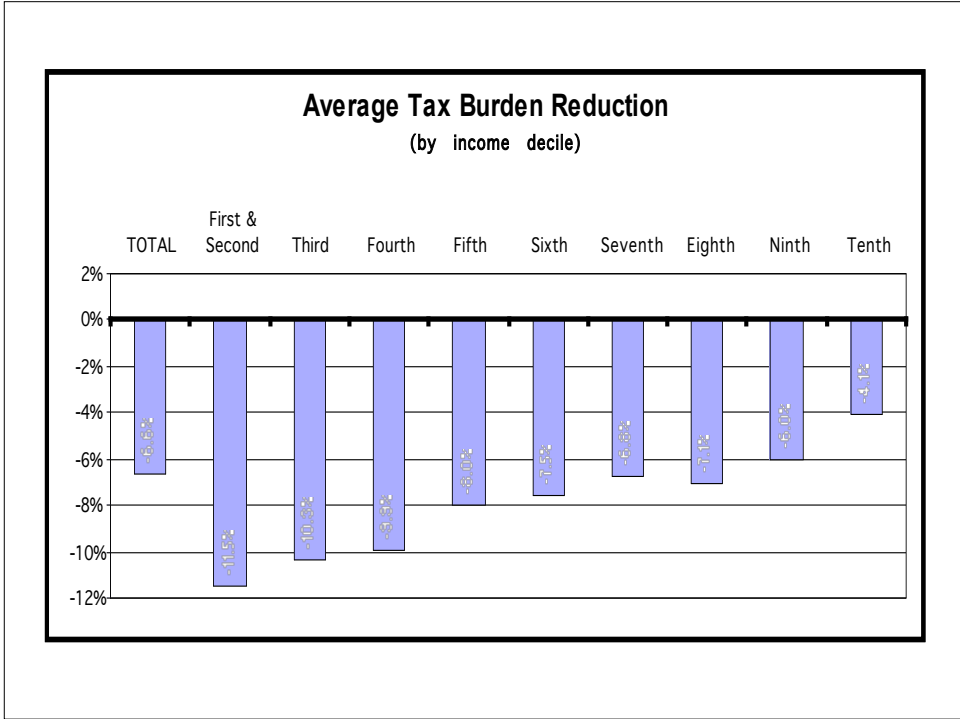
- Select Committee on Property Tax Relief passes LD 1 with over 2/3 vote, but sends LD 2 to Taxation Committee for further review
- 122<sup>nd</sup> Legislature passes LD 1 with slightly less than 2/3 support

# First-Year Impact of LD 1









## What Next ?

- Taxpayer Bill of Rights (TABOR)
- FY08/09 Biennial Budget – Final two steps to 55% - Further tax increase?
- LD 2 or some other proposal to limit property tax increases for residential taxpayers
- Income and sales tax growth, BSF and growth in EP&S