



**Testimony of Philip Drew, City Assessor for the City of Bangor before the
Joint Standing Committee on Taxation and Appropriations and Financial Affairs**

Regarding the Proposed Budget for FY 16 and FY 17

February 19, 2015

Sen. Hamper, Rep. Rotundo, Senator McCormick, Representative Goode and members of the Joint Standing Committee on Appropriations and Financial Affairs and Taxation, my name is Philip Drew and I am the City Assessor for the City of Bangor. I am testifying today in opposition of the budget provision that would eliminate the BETR program and the BETR to BETE conversion.

This proposal would close off new enrollment into the BETR program and convert all the property currently enrolled in the BETR program into the BETE program, thus making it exempt from municipal property taxes. Please note that the local taxing jurisdictions are never informed by the State of Maine on which business property ultimately qualifies for the program and receives reimbursement. In addition, the conversion of BETR property over a 4 year period would add a great amount of complexity to the process for the local assessing departments.

Currently, 300 Bangor businesses participate in the BETR program with a combined BETR value of \$80 million. Those businesses pay approximately \$1.7 million in municipal property taxes and are then REBATED a portion by the State of Maine.

Once converted from BETR to BETE, the assets would be fully exempt from municipal taxes and the State of Maine would reimburse Bangor 56% of property tax revenue lost by reason of the exemption. The unintended consequence is an additional tax shift of \$732 thousand to municipal property taxes. The net effect being a mil rate increase of at least .31 per \$1,000 of value.

Businesses represent 57% of the City's overall tax base, while some of the 300 BETR businesses will see a reduction in taxes, the non BETR businesses will be impacted by the shift of \$417 thousand (57% of the \$732 thousand).

Shift to Residential Taxpayers would be \$314 thousand (43% of the \$732 thousand).

From the Legislative actions and findings, it is apparent, that the Legislature recognized the negative impact business personal property taxes have had on business retention and development, which is one of the reasons the BETR/BETE programs were instituted. Again,



with this proposed change, the State of Maine would be shifting the administrative burden on to municipalities while at the same time saving up to \$400 thousand each year.

Bangor's history would indicate that the BETE program did encourage business investment. In FY 2015, Bangor has \$87 million in BETE exempt property. So under BETE, instead of receiving \$1.9 million in municipal property taxes, the City receives \$1.1 million in State reimbursement. Municipalities were willing to lose tax revenues as the Legislature clearly recognized the need to reimburse municipalities for the property tax revenue lost by reason of the exemption.

Accordingly, the BETE legislation required a transfer to the Disproportionate Tax Burden Fund, a component of the Revenue Sharing formula, to provide some compensation to municipalities for the impact of BETE. Further, increased economic activity should result in higher sales and income taxes which again would be shared with municipalities through the Revenue Sharing formula.

However, the Legislative transfers from the Revenue Sharing Statutory allocation have resulted in municipalities losing in all areas. Municipalities have lost the tax revenue, not received compensation through the Revenue Sharing formula and w funded the infrastructure and service costs necessary to support economic development.

If the BETR program is eliminated, all new business personal property in retail businesses like: auto dealers, hotels/motels, department stores, restaurants and most small businesses that make up the heart of the Maine business community will no longer see tax relief.

While the City of Bangor is fully supportive of comprehensive tax reform, the proposal continues the history of State tax shifts to municipalities, which we can't support.

Thank you for your time and attention.

For additional Information, please feel free to contact any of the following municipal officials:

Nelson Durgin, Mayor	nelson.durgin@bangormaine.gov	947-8419
Catherine Conlow, City Manager	cathy.conlow@bangormaine.gov	992-4201
Philip Drew, City Assessor	phil.drew@bangormaine.gov	992-4211