



## CITY OF BANGOR

### **Testimony of David Little, Deputy Finance Director, City of Bangor before the Joint Standing Committee on Taxation**

#### **Regarding LD 448 “An Act Repealing Tax Lien Foreclosure Requirements” and LD 451 “An Act to Repeal the Recently Enacted Changes to the Law Governing Tax Lien Foreclosure”**

Senator Chipman, Representative Tipping and distinguished members of the Joint Standing Committee on Taxation:

I am David Little, Deputy Finance Director for the City of Bangor and I am here submitting this testimony on their behalf in support of LD 448 and LD 451. We would also like to thank Senator Gratwick and Senator Moore for presenting these bills.

Both these bills are looking to accomplish the same goal, namely the full repeal of changes made to the tax lien process by LD 1629 passed last session.

The proponents of LD 1629 made the claim that local municipalities were targeting elderly homeowners and using the tax lien process to essentially steal their homes. They indicated that they had multiple cases of this happening but only produced one during the public hearing and work session despite several requests for the other examples. Even the one example provided, which omitted some facts of the case, failed to demonstrate the egregious nature municipalities were claimed to have. Despite this, LD 1629 was passed just before the close of the last legislative session, implemented duplicate processes already in statute, created unneeded administrative burdens on both the State and local governments and imposed unrealistic expectations regarding the sale of tax acquired property.

The new law basically targets two groups of taxpayers. Those receiving the Homestead Exemption and a subset of those taxpayers who are 65 years old or older.

One of the objectives of the new law is to make sure taxpayers who are receiving the Homestead Exemption are informed that they can apply for an abatement due to hardship or poverty. This requirement was already in Statute under Title 36, Section 841 and municipalities used various methods to inform their taxpayers plus wording regarding the inability to pay is mandatory on the Foreclosure Notice under Section 943. The new law now requires information about the abatement be sent along with the 30 Day Demand Notice, the first stage of the lien process. That in itself was not really an issue except that the law requires very specific wording that must be provided by the State every year. That wording will create an additional insert or a two page Demand Notice resulting in additional costs to the municipality, additional administrative handling of the notices and potentially additional mailing costs that are passed on to the taxpayers. The law states that the wording only needs to be sent to those properties receiving the Homestead Exemption but that information is not readily available during the lien process. Larger communities, such as Bangor who mails on average 1,000 Demand Notices each year, will either have to look up each account and manually separate them or include the information with every notice which may cause confusion and additional calls to both the municipality and the State.

The other main change put into place by the new law is what happens after a lien matures but only for some taxpayers.

What the Committee should understand, however, is that the lien process takes time. From the tax commitment, it takes approximately two and a half years before a lien matures. By that time, in most communities, the taxpayer would have three years of unpaid taxes. Even then, past history has shown that many municipalities do not take immediate action. We continue to try and work with the taxpayer which has led to some taxpayers having six to ten years outstanding or more in some cases. One of Bangor's most recent situations had us dealing with a taxpayer who owed nineteen years of taxes. Many times, despite our efforts, taxpayers simply refuse to work with us. They make no payments, do not apply for hardship abatements, will not enter into payment arrangements and cut off all communication. Under the new law, if you are a taxpayer who is 65 years old or older, at the time the lien was filed (18 months earlier) and meet certain income and asset limits the municipality is forced into selling the property and returning any excess funds. The return of funds once again partially duplicates existing Statute. Title 36 Section 949 allows a local ordinance to refund any excess funds for any taxpayer not just a specific group.

We say forced to sell because it basically removes our ability to go above and beyond trying to help. An unforeseen result of the bill by the proponents is that it brought the elderly homesteader to the front of the line and requires us to focus on them sooner than we normally would. The proof of income and assets required under the process must be for the year immediately prior to the lien maturing. Trying to work with the taxpayer for additional years, as we typically do, may make obtaining this information extremely difficult plus the more years of outstanding taxes will reduce the possibility of any excess funds.

The new law also fails to recognize the tax lien process diminishes the property value. A mature lien does not give free and clear title to the municipality; when the property is resold only a quitclaim deed is issued releasing the municipality's interest in the property. Section 946-B of Title 36 allows anyone who may have an interest in the property five years to challenge the lien process. This leaves a five year cloud on the title for any new owner. They must either wait out the five years or take court action to clear the title themselves. This in itself greatly reduces the sellable value of the property. History has also shown us that those taxpayers not paying taxes are also not maintaining their property. When a municipality finally takes possession and gains access we are finding homes with water damage due to leaky roofs, mold, mildew, flooded basements, non-working furnaces, no hot water, etc.

The law makes the assumption that a \$100,000 property taken for \$10,000 in taxes should net \$90,000 which is paid to the former owner. In reality, a municipality will be lucky to even get the \$10,000 due in taxes. No property taken by the City of Bangor over the past 26 years has sold for more than the outstanding taxes and many were for far less.

Property taxes are not a mortgage or a loan. They are a public charge and the largest source of revenue for a municipality. They are expected to be assessed fairly and equally and all property owners, regardless of age, are expected to contribute to that charge. The revenue collected is used to provide education, police and fire protection, road maintenance and other vital services. When one taxpayer fails to pay their taxes the burden to pay for those services shifts to the other taxpayers. The law has always and currently recognizes that failing to pay taxes harms the entire community and that there should be significant penalties for doing so. But the law also contains multiple options for taxpayers to reduce the amounts they owe such as abatements for value, abatements for inability to pay, exemptions, payment arrangements, local option work plans and more.

We have no desire to take property but at times it is necessary. We also understand that some municipalities may have significantly valued property that may result in a “profit” but these few unique circumstances should not result in widespread changes that places limitations and burdens on the rest of us. The decision of when and which properties to focus on and whether to return excess funds, if and when there may be any, should remain a local choice.

Thank you for your time and consideration and we encourage you to vote “Ought to Pass” when the time comes.

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

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