



**Testimony of Catherine Conlow, Bangor City Manager
Before the**

Joint Standing Committees 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 Committees on Appropriations and Financial Affairs and Taxation, my name is Catherine Conlow and I am the City Manager in Bangor. I am testifying today on proposed changes to the homestead exemption.

If approved, the proposed budget will double the homestead exemption for homeowners over the age of 65 and eliminate the exemption for homeowners under the age of 65. Conceptually, the City has no problem if the State would like to provide additional property tax relief to homeowners over the age of 65 on a fixed income, so long as the State continues to fund its obligation to refund the municipalities in the future. We do however, have a few concerns.

The first concern is the inequity that is created by this proposal. The City is comprised of 35% tax exempt property tax exempt and 65% taxable properties. Of the 65% taxable properties, only 42% of the properties are residential. Within Bangor owner occupied housing only comprises 45% of the residential housing stock, which is significantly less than the state average of over 70%. When you increase and limit the exemption to only homeowners over the age of 65, it results in another tax shift. Our homeowners under the age of 65, is a small percentage of our property tax payers, but they will shoulder that increase. Based on the average home value of \$139,000, the tax increase as a result of the loss of homestead exemption is over 7.5%. Considering the average home value in the State of Maine is \$171,000, or 18% higher than Bangor, the loss of the homestead exemption hits Bangor homeowners proportionately harder.

Second as income levels tend to rise as we get older, the loss of this exemption will hit our youngest homeowners the hardest and those are the residents we are most hoping to attract. The loss of the homestead exemption is anticipated to increase the average residential homeowner's property tax under the age of 65 by \$218.

Because Bangor is a service center, the mil rate is already proportionately higher than many surrounding communities largely due to the need to support services to a substantial governmental and non-profit sector. In general, the cost of homeownership in Maine can be



prohibitive for younger families just starting out, as our housing stock is older and you have to factor in heating and repairs costs. With an older housing stock and higher than average mil rate, Bangor has been proactive in attracting young people by offering low interest loans to new homeowners. Much like the senior population, younger residents are usually at the lower end of the income bracket.

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