MEETING MINUTES

Department of Revenue

Tax Policy Strategy Work Group

Property Tax Sub Group Meeting Minutes –October 9, 2008

I. Attendance – The following were present:

Work Group – Bob Walsh, Karen Grande, John Gelati
Staff – Peder Schaefer, Jill Barrette, Marsha Crecelius, Gerard Michaud, James Savage, James Neary
Others – Russ Dannecker, Chantale Sarrasin, Jacqueline Kelley, Laurie Brayton, Pamela Blais

II. Presentation

Peder Schaefer presented more comprehensive and detailed profiles on commercial property tax burden. The presentation profiled 3 office, 1 retail, 1 hospitality, and 1 manufacturing property and compared the tax burden in 8 different municipalities.

III. Discussion

The Work Group then reviewed the "Problems and Solutions" outline that had previously been distributed. The outline covered:

- Tax classification's affect on business location.
- Tax classification and homestead exemptions.
- Special tax treaties.
- Elderly exemptions.
- The tax appeal process.
- Non-profit organizations.
- Tax exempt properties.
- State aid.

The complete outline is attached as an appendix to these minutes.

IV. The next meeting of the work group will be held on October 23 in conference room 3A. The agenda will focus on recommendations.

Property Tax Sub Group

Problems and Solutions Talking Points

- **Problem**: As residential property values have increased at a far greater rate than commercial values over almost two decades, municipalities with a high proportion of commercial property have adopted tax classification or homestead exemption plans to preserve the revenue product from commercial property and to moderate tax increases on residential property. They have also adopted high tangible property tax rates for the same reason. This has made commercial property less desirable in high commercial tax communities and more desirable in low tax communities.

  Solutions:

  1. Limit the range of tax classification or homestead exemption plans in future years.
  2. Standardize commercial property taxes to assure an even playing field for commercial properties.
  3. Require municipalities to comply with tax classification limitations in order to qualify for state aid.

- **Problem**: The tax classification or homestead exemption plans are excessively complicated in a number of municipalities and allow for relative changes in tax rates and tax levies from one type of property to another during each tax cycle. Lack of transparency involving current and future levies discourages locational decisions.

  Solutions:

  1. Reinstate equivalent percent tax rate changes for each class of property from one year to the next for all municipalities.
  2. Require disclosure after a revaluation as to what tax rates would be required to support the same total tax levy as before the revaluation.

- **Problem:** High commercial rates in some communities have made special tax treaties a necessity to attract new development and result in discrimination against existing tenants and taxpayers.

  Solutions:

  1. Limit special treaty agreements to a benchmark such as the average state tax rate.

     or

  2. Limit newly locating businesses to a tax rate no greater than 50% more than the effective residential rate (generic classification).

- With an aging population, some municipalities have pursued aggressive elderly personal exemption policies often with no income qualifier. While protecting the elderly from increased taxes, this policy has undermined the tax capacity of those municipalities.

    1. Require qualifying for the state circuit breaker credit as a prerequisite for municipally offered exemptions.
    2. Eliminate tax freeze programs with no income qualifiers.
    3. Require municipalities to comply with limitations in order to qualify for state aid.

- An elaborate decentralized property tax appeal process has prevented municipalities (and especially those with unique commercial property) from completing the appeal process in a timely manner. Also, valuation of public utility property from one municipality to another is in dispute.

    1. Establish a tax court similar to Massachusetts.
    2. Reduce the number of appeal opportunities prior to going to tax court.
    3. Standardize the valuation of public utility property.

- Lack of clarity on the tax exempt status of certain non-profit organizations has also undermined the tax capacity of some municipalities.

    1. Eliminate exemption for high gross receipt non-profit entities which compete with profit making entities.
    2. Eliminate exemptions by Charter where tax exempt institutions are identified by name rather than purpose.

- Very substantial tax exempt real estate components in certain municipalities undermine the tax capacity of those municipalities.

    1. Guarantee a PILOT payment by certain entities directly to the municipality.

- State aid programs which were constructed to assist municipalities with low tax capacity and reduce the reliance on the property tax have been undermined by the state's financial condition.

    1. Reallocate state aid to those municipalities which accept state standards on tax classification and personal exemptions and reduce or reallocate state aid from others who do not comply.
    2. Reevaluate the formula methods of distributing state aid to make sure low tax capacity, high tax effort municipalities benefit the most.