

STATE OF MAINE

Interdepartmental Memorandum

March 5, 2012

To: The Joint Standing Committee on

From: David P. Ledew, Director, Property Tax Division, Maine Revenue Services (MRS)

Subject: LD 1835 – An Act To Restore Equity in Revenue Sharing

Primary Sponsor: Senator Justin Alford.

Estimated Revenue Impact: No revenue impact to the State.

Estimated Administrative Cost Impact: None. The Office of the Treasurer should be consulted.

Identified Issues: The bill establishes a new basis for determining the qualification of municipalities to receive revenue sharing payments from the Disproportionate Tax Burden Fund. Under current law, a municipality with a property tax burden of greater than .01, often expressed as 10 mills, is entitled to a share of the Disproportionate Tax Burden Fund. "Property tax burden" is defined in statute as the total real and personal property taxes assessed less the taxes assessed on captured value within a tax increment financing district in the municipal fiscal year relating to the latest state valuation, divided by the latest certified state valuation. The latest state valuation is 2012 which relates to the 2010 municipal tax assessment.

This bill would provide that only municipalities with a property tax burden which is greater than the statewide average would be entitled to a share of the Disproportionate Tax Burden Fund. Using the FY12 revenue sharing calculator on the State Treasurer's web site, the statewide average tax rate is 11.76. To compute each municipality's share of the Disproportionate Tax Burden Fund, the statewide average tax rate is deducted from each municipality's property tax burden to arrive at the 'disproportionate tax burden'. Each municipality's payment from the Disproportionate Tax Burden Fund is proportional to the product of the population of the municipality multiplied by the disproportionate tax burden of the municipality.

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