

The University of Maine  
**DigitalCommons@UMaine**

---

Government & Civic Life

Margaret Chase Smith Policy Center

---

2004

# Fiscal Effects of a One-Percent Property Tax Cap on Maine Municipalities and the State Government

Todd M. Gabe

Jonathan Rubin

Thomas Allen

Catherine J. Reilly

Follow this and additional works at: [https://digitalcommons.library.umaine.edu/mcspc\\_gov\\_civic](https://digitalcommons.library.umaine.edu/mcspc_gov_civic)

---

This Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Government & Civic Life by an authorized administrator of DigitalCommons@UMaine. For more information, please contact [um.library.technical.services@maine.edu](mailto:um.library.technical.services@maine.edu).

FISCAL EFFECTS OF A ONE-PERCENT PROPERTY TAX CAP  
ON MAINE MUNICIPALITIES AND THE STATE GOVERNMENT

Margaret Chase Smith Center for Public Policy  
and  
Department of Resource Economics and Policy

University of Maine

REP Staff Paper # 541  
September 2004

Todd Gabe  
Assistant Professor  
Department of Resource Economics and Policy

Jonathan Rubin  
Interim Director, Margaret Chase Smith Center for Public Policy  
Associate Professor, Department of Resource Economics and Policy

Thomas Allen  
Associate Scientist  
Department of Resource Economics and Policy

Catherine Reilly  
Research Assistant  
Margaret Chase Smith Center for Public Policy

# Effects of One-Percent Property Tax Cap

## Acknowledgments

This research has been supported, in part, through a cooperative agreement with the Maine State Planning Office. Additional funding was provided by the Maine Agricultural and Forest Experiment Station and the Margaret Chase Smith Center for Public Policy. The views and opinions expressed in the report do not necessarily reflect those of the Maine State Planning Office. Any errors or omissions are the responsibility of the authors.

We would like to thank the following individuals for their assistance: Michael Allen, Kate Dufour, Martha Freeman, Laurie Lachance, Dave Ledew, Holly Maffei, Judy Mathiau, Jim McConnon, Larry Record, Steve Reiling, Jim Rier, Mario Teisl, Rachel Tremblay, Lee Webb and David Wihry.

## Effects of One-Percent Property Tax Cap

### FISCAL EFFECTS OF A ONE-PERCENT PROPERTY TAX CAP ON MAINE MUNICIPALITIES AND THE STATE GOVERNMENT

#### ABSTRACT

On November 2, 2004, Maine residents will vote on whether to “limit property taxes to 1% of the assessed value of the property.” This report looks at the effects of the property tax cap if it had existed in 2003. Impacts shown in the report are based on the tax cap plan as written, which values property at what it was worth in 1996.

We find that Maine towns would have had a shared budget deficit of \$687.7 million if the tax cap had existed in 2003. Towns would have lost \$50.9 million, or 31.9%, of the taxes paid by vacation homeowners. These impacts would have been lower if the School Finance and Tax Reform Act of 2003 (passed by the voters in June 2004) had been in effect. That Act requires the state to pay 55% of local education costs. In that case, the shared deficit of Maine towns under the tax cap would drop from \$687.7 million to \$535.2 million.

If the tax cap had existed last year, the average tax rate for residential real estate would have dropped from 1.53% to 1.11%. This is more than 1% because the tax cap would allow towns to collect extra taxes for voter-approved debt. Across the state, the tax rate for homeowners would have gone down in 391 towns. It would have gone up in 81 towns because of changes in the way homes are valued for taxes. This means that some people in these towns, but not everyone, would have paid higher taxes if the tax cap had existed last year. People who bought homes in recent years would pay higher taxes, while people who have lived in their homes for several years would pay lower taxes.

In 2003, Maine towns spent about \$2.16 billion on services such as education, law enforcement, road maintenance, and libraries. If towns had used all of the additional state school funding to decrease spending, the tax cap would have cut local spending to \$1.32 billion. This would have meant cuts of 69.4% in all services other than education, debt payments and county taxes.

The state could give towns money to replace lost revenue. To do so, it could raise income or sales taxes. To collect \$687.7 million, the state would have to raise income taxes by 64.2%. For a family with income between \$35,650 and \$45,124, this would mean about \$652 more in income taxes. The state could instead raise sales and use taxes by 80.2%. This would raise the sales tax rate from 5% to just over 9%.

A property tax cap in Maine could have broad effects. If towns rely on the state for money, then they could lose some control of local services. Changing the way services are paid for would shift taxes away from some property owners, residents, and businesses and onto others. A tax cap could also affect land use and property values.

## Effects of One-Percent Property Tax Cap

### FISCAL EFFECTS OF A ONE-PERCENT PROPERTY TAX CAP ON MAINE MUNICIPALITIES AND THE STATE GOVERNMENT

#### EXECUTIVE SUMMARY

On November 2, 2004, Maine residents will vote on a statewide citizen initiative that would “limit property taxes to 1% of the assessed value of the property.” The Maine Taxpayers Action Network proposed this referendum, titled “An Act to Impose Limits on Real and Personal Property Taxes.” Proponents of the measure point to the benefits of reduced local property taxes. Town officials and others opposed to the initiative suggest it will lead to dramatic cuts in local public services. Opponents also argue that it would reduce local control, as some services would likely become centralized or provided by the state government.

If approved by Maine voters, the initiative would place a one-percent cap on the local property tax rate. The plan also would set property valuations at the 1996-1997 “full-cash value” of real and personal property. In an April 16, 2004 Maine Supreme Court Opinion provided to the Legislature, four Justices opined that this “roll-back” provision is unconstitutional and three Justices declined to offer an opinion on constitutionality finding it preferable for this to be determined in a fully litigated case (Maine Supreme Judicial Court, 2004). Our analysis, therefore, does not assume unconstitutionality of this provision of the tax cap proposal.

This report presents information on the fiscal effects of the property tax cap, if it had been in effect in 2003, on Maine municipalities and the state government. We use the most currently available data from Maine Revenue Services, the U.S. Census Bureau, the Maine Department of Education, the Maine Office of Fiscal and Program Review, and the Maine Municipal Association (MMA). Impacts presented in the report are based on the tax cap initiative as written, which sets property valuations at 1996-1997 full-cash values. This is done to provide, as close as possible, the impacts of the actual referendum included on the ballot. If the courts disallow the valuation method put forth in the referendum, the impacts can be expected to differ from those presented.

Seven questions about the impacts of the proposed property tax cap motivate the research presented in this report. Answers to these questions are summarized below:

1. What types of fiscal impacts would Maine municipalities face as a result of the tax cap?

Maine municipalities would have experienced a combined fiscal deficit of \$687.7 million if the property tax cap had been in effect in 2003. The combined deficit in the 15 largest municipalities would have been \$243.1 million, which is about 35 percent of the total property tax revenue loss across all municipalities included in the study.

## Effects of One-Percent Property Tax Cap

### 2. What would happen to local property tax rates?

The average full-state value tax rate for residential real estate would have decreased from 1.53 percent to 1.11 percent if the tax cap had been in effect in 2003. The average post-initiative tax rate of 1.11 percent exceeds one percent because the tax cap proposal allows municipalities to raise taxes, above the one-percent limit, to cover pre-existing voter-approved debt.

The full-state value tax rate for residential real estate would decrease under the property tax cap in 391 municipalities. On the other hand, the full-state value tax rate for residential real estate would increase under the property tax cap in 81 municipalities. The average individual in these municipalities who purchased or built a home around 2003 would pay higher taxes under the property tax cap. The average individual who purchased or built a home prior to 2003 would pay lower taxes if the increase in value, between the year the home was purchased or built and 2003, more than offsets the increase in the tax rate.

Although it may seem counterintuitive that the amount of taxes paid by some individuals would increase under the property tax cap, the explanation is relatively straightforward. In some Maine municipalities, the amount of taxes collected would not change (or would decrease only slightly) under the property tax cap. The tax cap proposal, however, sets property valuations at the 1996-1997 “full-cash value” of real and personal property. Thus, individuals who purchased or built homes in the years prior to, or just after, 1996 would pay lower taxes under the property tax cap. In order for the total amount of taxes collected to remain unchanged, these reductions must be offset by increases in taxes paid by individuals who purchased or built homes in later years. Some Maine businesses would pay higher taxes under the property tax cap as well.

### 3. How much property tax revenue would municipalities lose from vacation homeowners?

Maine municipalities would lose \$50.9 million, or 31.9 percent, of the property taxes paid by vacation homeowners under the property tax cap.

### 4. How would additional state spending on local education influence the potential impacts of the property tax cap?

Incorporating the additional school funding that MMA predicts municipalities would receive from the state government, we find that the estimated fiscal deficits under the property tax cap would decrease from \$687.7 million to \$535.2 million.

## Effects of One-Percent Property Tax Cap

5. How would the tax cap revenue impacts compare to current local and state government spending levels?

Maine municipalities spent an estimated \$2.16 billion on public services in 2003, including \$991.2 million in local spending on education and over \$100 million each on general administration, law enforcement and road maintenance. Assuming that municipalities use 100 percent of the additional state school funding to decrease local expenditures on education, we estimate that total municipal expenditures would have decreased to \$1.32 billion if the tax cap had been in effect in 2003. Spending on general administration, law enforcement and road maintenance would have decreased from over \$100 million in each category to less than \$50 million in each category under the property tax cap. Cuts made to expenditure areas other than local education, debt payments and county taxes represent a 69.4 percent reduction from spending levels without the property tax cap.

State appropriations total \$5.22 billion over the two-year budget for FY 04-05. Assuming that state revenues are fixed and municipalities use 100 percent of the additional state school funding to decrease local expenditures on education, we estimate that it would require 20.5 percent of the total state budget to help municipalities overcome the effects of the property tax cap.

6. What types of increases in state income and sales taxes could offset the local revenue lost from the property tax cap?

The state could make up for the revenue lost under the property tax cap by either increasing state income or sales taxes, or some combination of the two. In order for the state to collect \$687.7 million in additional revenue to transfer to municipal governments, it would need to increase the amount of revenue collected through income taxes by 64.2 percent. For a family with a household income of between \$35,650 and \$45,124, this amounts to an additional \$652 in state income taxes. On the other hand, the state would need to increase the amount received through sales and use taxes by 80.2 percent in order to increase collections by \$687.7 million. This would increase the state sales tax rate from 5 percent to slightly over 9 percent.

7. What long-term effects would a property tax cap have on Maine municipalities and the state government?

A property tax cap in Maine could have impacts beyond the straightforward reduction of one type of tax. Changing local tax structures could shift the tax burden away from some property owners, taxpayers, and businesses and onto others; could shift control of local revenues and expenditures from one level of government to another; could force communities to raise other fees; and could affect land use and property values.

## Effects of One-Percent Property Tax Cap

### FISCAL EFFECTS OF A ONE-PERCENT PROPERTY TAX CAP ON MAINE MUNICIPALITIES AND THE STATE GOVERNMENT

#### 1. INTRODUCTION

On November 2, 2004, Maine residents will vote on a statewide citizen initiative that would “limit property taxes to 1% of the assessed value of the property.” The Maine Taxpayers Action Network proposed this referendum, titled “An Act to Impose Limits on Real and Personal Property Taxes.” Proponents of the measure point to the benefits of reduced local property taxes. Town officials and others opposed to the initiative suggest it will lead to dramatic cuts in local public services. Opponents also argue that it would reduce local control, as some services would likely become centralized or provided by the state government.

If approved by Maine voters, the initiative would place a one-percent cap on the local property tax rate. The plan also would set property valuations at the 1996-1997 “full-cash value” of real and personal property. In an April 16, 2004 Maine Supreme Court Opinion provided to the Legislature, four Justices opined that this “roll-back” provision is unconstitutional and three Justices declined to offer an opinion on constitutionality finding it preferable for this to be determined in a fully litigated case (Maine Supreme Judicial Court, 2004). Our analysis, therefore, does not assume unconstitutionality of this provision of the tax cap proposal.

Three studies have examined the potential impacts of the proposed tax cap initiative in Maine. The Maine Municipal Association (MMA) estimates that, based on 2003 data, the tax cap would “likely” lead to a \$495 million reduction in the property taxes collected by Maine municipalities (Maine Municipal Association, 2004a). The MMA analysis assumes that, if the referendum passes, the courts would disallow provisions that set property valuations at 1996-1997 levels. Maine Revenue Services found that, assuming the valuation method in the referendum is ruled as unconstitutional, the tax cap would lead to a \$546.6 million revenue shortfall (Gerard, 2004).

The MMA also examined the effects of the tax cap initiative “as written,” which sets valuations at the 1996-1997 full-cash value of real and personal property. This MMA study found that towns would have lost \$821 million in revenue if the property tax cap had been in effect in 2003 (Maine Municipal Association, 2004b).

Maine is not the first state to consider limits on local tax rates. California set a limit on property taxes under Proposition 13 enacted in 1978. Proposition 13 capped tax rates at one percent of a property’s 1975-76 value and limited increases in that value to two percent per year. Similar to the tax cap initiative in Maine, Proposition 13 only allows properties to be revaluated when there is a change in ownership.



## Effects of One-Percent Property Tax Cap

As discussed in Section 9, the overall lesson learned from other states is that property tax caps can have impacts beyond the straightforward reduction of one type of tax. Changing local tax structures can shift the tax burden away from some property owners, taxpayers, and businesses and onto others; can shift control of local revenues and expenditures from one level of government to another; can force communities to raise other fees; and can affect land use and property values.

The complete long-term impacts of a property tax cap in Maine cannot be known at this time. With that in mind, this report presents information on the fiscal effects of the property tax cap, if it had been in effect in 2003, on Maine municipalities and the state government. We use the most currently available data from Maine Revenue Services, the U.S. Census Bureau, the Maine Department of Education, the Maine Office of Fiscal and Program Review, and the MMA. Impacts presented in the report are based on the tax cap initiative as written, which sets property valuations at 1996-1997 full-cash values. This is done to provide, as close as possible, the impacts of the actual referendum included on the ballot. If the courts disallow the valuation method put forth in the referendum, the impacts can be expected to differ from those presented.

The following seven questions motivate the research presented in this report:

- ⇒ What types of fiscal impacts would Maine municipalities face as a result of the tax cap?
- ⇒ What would happen to local property tax rates?
- ⇒ How much property tax revenue would municipalities lose from vacation homeowners?
- ⇒ How would additional state spending on local education influence the potential impacts of the property tax cap?
- ⇒ How would the tax cap revenue impacts compare to current local and state government spending levels?
- ⇒ What types of increases in state income and sales taxes could offset the local revenue lost from the property tax cap?
- ⇒ What long-term effects would a property tax cap have on Maine municipalities and the state government?

## 2. KEY PROVISIONS OF THE TAX CAP INITIATIVE

The tax cap referendum on the November 2, 2004 ballot will read: “Do you want to limit property taxes to 1% of the assessed value of the property?”

## Effects of One-Percent Property Tax Cap

A more detailed explanation of the initiative is that “the maximum amount of any ad valorem tax on real property and personal property shall not exceed 1% of the full-cash value of such property.”<sup>1</sup> Full-cash value in 1996 is defined as the “total assessed valuation of real or personal property as shown on the 1996-97 tax bill.”<sup>2</sup> In cases where real or personal property is “not already assessed up to the state regulation of 100% valuation of the 1996-97 total value,” the property “may be reassessed to reflect that valuation.”<sup>3</sup> For property that is purchased, newly constructed, or changes ownership after the 1997 assessment, full-cash value is defined as the “appraised value of real and personal property when purchased, newly constructed, or a change in ownership has occurred.”<sup>4</sup>

As outlined above, the property tax base allowed under the proposal is tied to the 1996 full-state value of real and personal property.<sup>5</sup> We adjust this base to account for investments in equipment and machinery, construction of residential homes and commercial or industrial facilities, and changes in the value of residential and business real estate that changed ownership since 1996. The 1996 full-state value of real and personal property, including allowed adjustments to this base, is referred to in the report as the “tax base allowed under the tax cap proposal.”

It is noteworthy that under the tax cap proposal the one-percent tax is applied to the “full-cash value” of real and personal property. This differs from the current system in Maine that computes tax rates relative to the assessed municipal valuation of real and personal property (which is typically below the full-state value). This difference makes it inappropriate to compare current tax rates to the rates allowed under the tax cap proposal. Fortunately, Maine Revenue Services computes a variety of statistics for each municipality that allow for appropriate comparisons. We use these statistics to estimate the 1996 and 2003 full-state value of real and personal property, and to make comparisons between current “full-state value tax rates” and the rates allowed under the tax cap proposal.

Table 1 shows 2003 property tax rates computed under the current system and full-state value tax rates for residential real estate. The Table includes the state’s 15 largest municipalities in terms of population size according to the 2000 Census. The 2003 property tax rate, reported in the *2003 Municipal Valuation Return Statistical Summary*, is computed by dividing the municipality’s commitment by the total assessed value of real and personal property.

The next column, labeled as “average ratio,” is a Maine Revenue Services statistic that relates a property’s assessed value to its “bona fide selling price.” Maine Revenue Services uses this statistic to convert residential real estate from assessed valuations to

---

<sup>1</sup> Language proposed to be enacted as 36 MRSA c. 103, sub-c I, Art. 1-A, section 352, subsection 1.

<sup>2</sup> Proposed section 351, subsection 4 of “An Act to Impose Limits on Real and Personal Property Taxes.”

<sup>3</sup> Proposed section 353, subsection 1 of “An Act to Impose Limits on Real and Personal Property Taxes.”

<sup>4</sup> Proposed section 353, subsection 1 of “An Act to Impose Limits on Real and Personal Property Taxes.”

<sup>5</sup> Full-state value, referred to by Maine Revenue Services as “state value,” is defined as the full-value conversion of local assessed value.

## Effects of One-Percent Property Tax Cap

full-state values. The entries in **bold** type are the average ratios used to compute the 2005 Equalized State Valuation, while the other entries are the average ratios used to compute the 2004 Equalized State Valuation.<sup>6</sup> Ratios less than 1.0 indicate that average market prices of residential real estate are greater than municipal assessed valuations. When this occurs, the full-state value tax rate is lower than the tax rate computed under the current system. The right-hand-side column shows the 2003 full-state value tax rate for residential real estate. These tax rates are used in Section 5 of the report to compare 2003 full-state value tax rates to post-initiative tax rates.

The tax cap initiative allows for an exception to the one-percent limit on real and personal property taxes. It states that this limit “shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by voters prior to the effective date of this article.”<sup>7</sup> For this reason, the tax rate in place after the tax cap initiative could exceed one percent in many of the municipalities that have pre-existing voter-approved debt.<sup>8</sup> This tax rate, referred to in the report as the “post-initiative tax rate,” may be less than one percent in municipalities where the current commitment is less than the amount of taxes the municipality can collect under the tax cap proposal.

### 3. WHAT TYPES OF FISCAL IMPACTS WOULD MAINE MUNICIPALITIES FACE AS A RESULT OF THE TAX CAP?

*Bottom Line: Maine municipalities would have experienced a combined fiscal deficit of \$687.7 million if the property tax cap had been in effect in 2003. The combined deficit in the 15 largest municipalities would have been \$243.1 million, which is about 35 percent of the total property tax revenue loss across all municipalities included in the study.*

#### Full Explanation:

In this section, we estimate the fiscal impacts that Maine municipalities would have faced if the property tax cap had been in effect, as written, in 2003. This involves comparing the actual 2003 spending commitment to the estimated amount of taxes municipalities could have collected under the tax cap proposal.<sup>9</sup> The latter amount is tied to the 1996 full-state value of real and personal property with adjustments to account for investments in equipment and machinery, construction of residential homes and business facilities, and changes in the value of residential and business real estate that changed ownership. Information on the 1996 full-state value of real and personal property is available for

---

<sup>6</sup> The 2005 Equalized State Valuation lists the full-state value of all taxable property as of April 1, 2003. These figures are currently available for 311 of the 472 municipalities included in the analysis. If the average ratios change between the 2004 and 2005 Equalized State Valuations in the other 161 municipalities, the full-state value tax rates in these municipalities will change as well.

<sup>7</sup> Proposed section 352, subsection 2 of “An Act to Impose Limits on Real and Personal Property Taxes.”

<sup>8</sup> About 40 Maine municipalities have debt that is approved by elected officials, and not local residents (Gagnon, 2004). In this study, we treat all debt as voter approved.

<sup>9</sup> This approach assumes that municipal commitments are equal to expenditures.

## Effects of One-Percent Property Tax Cap

each municipality from Maine Revenue Services.<sup>10</sup> Calculations used to estimate the value of adjustments to this base are described below.

We used guidelines provided by Maine Revenue Services to convert municipal assessed valuations, listed in the *Municipal Valuation Return Statistical Summary*, to full-state values of personal property, residential real estate and business real estate. The assessed value of personal property is computed as the sum of production equipment and machinery, business equipment, and “all other personal property.” We used the “certified ratio” for each municipality, or the “adjusted certified ratio” or “adjusted variant ratio” when necessary under Maine Revenue Services guidelines, to convert the assessed value of personal property to the full-state value of personal property.<sup>11</sup>

The statistical summary also reports assessed valuations of land and buildings in each municipality. We used information provided by Maine Revenue Services to separate the value of land and buildings into residential and business real estate. The assessed valuations of residential real estate are converted into full-state values using the “average ratio” described in Section 2. We used the municipal “certified ratio,” or the “adjusted certified ratio” or “adjusted variant ratio” when necessary under Maine Revenue Services guidelines, to convert the assessed value of business real estate to the full-state value of business real estate.

Table 2 shows the 1996 and 2003 full-state values of personal property, residential real estate and business real estate. The total values of real and personal property exceed the sum of the three included categories because the total values include electrical utility properties, and the use values of open space, farmland and land classified under the Maine Tree Growth Law. The 1996 full-state value of real and personal property is \$67.4 billion, which is the base to which allowed adjustments are made.

Provisions of the referendum allow for the following adjustments to the 1996 full-state value of real and personal property:

- ⇒ investments in equipment and machinery
- ⇒ construction of residential homes
- ⇒ changes in the value of residential real estate that changed ownership
- ⇒ construction of commercial and industrial facilities
- ⇒ changes in the value of business real estate that changed ownership

---

<sup>10</sup> The 1996 full-state value is from the 1998 Equalized State Valuation.

<sup>11</sup> Maine Revenue Services uses the municipal “certified ratio” to convert commercial, industrial and personal property from assessed values to full-state values when the certified ratio is less than or equal to 110 percent of the average ratio. The average of the certified ratio and the average ratio is used for these conversions when the certified ratio is more than 110 percent, but less than or equal to 120 percent, of the average ratio. The “adjusted variant ratio,” defined as 120 percent of the average ratio, is used when the certified ratio is more than 120 percent of the average ratio.

## Effects of One-Percent Property Tax Cap

The full-state value of new equipment and machinery is calculated by subtracting the full-state value of personal property in 1996 from the full-state value of personal property in 2003. This amount totals \$2.82 billion across 472 Maine municipalities.

We use U.S. Census data on the value of residential building permits issued between 1996 and 2002 in each municipality to capture, allowing for a one-year construction lag, the value of new residential homes that were completed between 1997 and 2003. We also used Census data to estimate the percentage of homes that changed ownership. Information on the year that a householder moved into a housing unit is used to estimate, as of 2003, the percentage of householders that moved into their homes in each of the years between 1997 and 2003. We use these percentages to account for changes in the full-state value of owner-occupied homes that changed ownership.

Combining the value of residential building permits with adjustments for changes in the full-state value of owner-occupied homes that changed ownership, we arrive at a \$10.2 billion adjustment to the 1996 full-state value of residential real estate. This equates to 29.5 percent of the \$34.4 billion increase in the full-state value of residential real estate between 1996 and 2003. The remaining 70.5 percent reflects changes in the value of residential real estate that did not change ownership.<sup>12</sup>

Finally, we made adjustments to the 1996 full-state value of business real estate. We do not have municipality-level information on the construction and sales of commercial and industrial real estate. Thus, we used percentages calculated from the adjustments made to residential real estate and applied them to the total increase in the full-state value of business real estate. Adjustments to the 1996 full-state value of business real estate equal \$1.81 billion, which is 29.5 percent of the total increase in the value of business real estate between 1996 and 2003.

To summarize, adjustments allowed to the 1996 full-state value of real and personal property under the tax cap proposal amount to \$2.82 billion in personal property, \$10.2 billion in residential real estate, and \$1.81 billion in commercial real estate. After making these adjustments, we arrive at an \$82.6 billion tax base allowed under the tax cap proposal. This is \$15.2 billion more than the 1996 full-state value of real and personal property.<sup>13</sup>

The tax cap proposal sets a one-percent limit on the tax rate applied to this base of \$82.6 billion. The proposal also allows municipalities to raise additional taxes, above the one-

---

<sup>12</sup> The change in the full-state value of residential real estate also reflects changes in the value of renter-occupied housing units, some of which may have changed ownership between 1996 and 2003. Thus, we may have underestimated the adjustments made to the 1996 full-state value of residential real estate. However, the Census data used to calculate the percentage of owner-occupied homes that changed ownership includes owner- and renter-occupied housing units. Assuming that renters move more frequently than homeowners, we may have overestimated the adjustments made to the 1996 full-state value of residential real estate.

<sup>13</sup> This amount exceeds the sum of the individual adjustments listed because it also includes changes in the value of electrical utility properties, and changes in the use values of open space, farmland and land classified under the Maine Tree Growth Law.

## Effects of One-Percent Property Tax Cap

percent cap, to cover pre-existing voter-approved debt. We used information from the MMA survey of Maine municipalities to estimate the level of debt payments made in 2003.<sup>14</sup>

For municipalities that completed surveys, we calculated the percentage of the total municipal commitment that was spent on debt service in 2001. These percentages varied across municipalities of different size categories. Municipalities with overall spending commitments greater than \$5 million spent an average of 4.8 percent on debt service, those with commitments between \$1 million and \$5 million spent an average of 2.4 percent on debt service, and those with commitments of less than \$1 million spent an average of 2.1 percent on debt service. For municipalities that completed surveys, we applied the percentages from 2001 to the actual commitment in 2003 to estimate the amount spent on debt payments. We used the average percentage corresponding to the total commitment (by category) to estimate the value of debt payments for municipalities that did not complete surveys. The estimated value of debt payments across 472 Maine municipalities is \$87.8 million.<sup>15</sup>

As described earlier, the total amount of taxes a municipality can collect under the tax cap proposal is calculated as one percent of the tax base allowed under the tax cap proposal plus the amount spent on debt payments. We calculate fiscal deficits as the difference between the actual 2003 commitment and the amount of taxes the municipality could have collected under the tax cap proposal. In cases where the amount of taxes the municipality could have collected exceeds the actual commitment, the municipality would not have incurred a fiscal deficit. The total deficit summed across 472 municipalities is \$687.7 million.

Table 3 shows our estimates of the fiscal deficits for the 15 largest Maine municipalities, if the tax cap had been in place in 2003 (as written). The municipal commitment is the actual amount of property taxes collected in 2003. The next column, labeled “Collections under the Tax Cap Proposal” is the amount of property taxes that the municipalities could have collected under the tax cap proposal. The combined deficit in the 15 largest municipalities is \$243.1 million, which is about 35 percent of the total property tax revenue loss across all 472 municipalities.

#### 4. WHAT WOULD HAPPEN TO LOCAL PROPERTY TAX RATES?

*Bottom Line: The average full-state value tax rate for residential real estate would have decreased from 1.53 percent to 1.11 percent if the tax cap had been in effect in 2003. The average post-initiative tax rate exceeds one percent because the tax cap proposal allows municipalities to raise taxes, above the one-percent limit, to cover pre-existing voter-approved debt.*

---

<sup>14</sup> The MMA survey, conducted during the fall of 2002, collected FY 2001 financial information from 242 participating municipalities.

<sup>15</sup> By comparison, US Census data on state and local government finances indicate that Maine municipalities spent \$90.8 million on interest on general debt in FY 2002.

## Effects of One-Percent Property Tax Cap

*The full-state value tax rate for residential real estate would decrease under the property tax cap in 391 municipalities. On the other hand, the full-state value tax rate for residential real estate would increase under the property tax cap in 81 municipalities. The average individual in these municipalities who purchased or built a home around 2003 would pay higher taxes under the property tax cap. The average individual who purchased or built a home prior to 2003 would pay lower taxes if the increase in value, between the year the home was purchased or built and 2003, more than offsets the increase in the tax rate.*

*Although it may seem counterintuitive that the amount of taxes paid by some individuals would increase under the property tax cap, the explanation is relatively straightforward. In some Maine municipalities, the amount of taxes collected would not change (or would decrease only slightly) under the property tax cap. The tax cap proposal, however, sets property valuations at the 1996-1997 “full-cash value” of real and personal property. Thus, individuals who purchased or built homes in the years prior to, or just after, 1996 would pay lower taxes under the property tax cap. In order for the total amount of taxes collected to remain unchanged, these reductions must be offset by increases in taxes paid by individuals who purchased or built homes in later years. Some Maine businesses would pay higher taxes under the property tax cap as well.*

### Full Explanation:

Post-initiative tax rates in Maine municipalities that experience fiscal deficits would range from one percent to values greater than one percent in municipalities with pre-existing voter-approved debt. Municipalities that would not experience fiscal deficits under the tax cap proposal may have post-initiative tax rates of less than one percent.

If the tax cap were in effect in 2003, the “post-initiative tax rate” would have averaged 1.11 percent across 472 Maine municipalities. This tax rate would have been less than one percent in 24 municipalities, and greater than or equal to one percent in the remaining 448 municipalities. As discussed in Section 2, 2003 tax rates based on municipal assessed valuations cannot be compared directly to the post-initiative tax rates. Statistics provided by Maine Revenue Services, however, can be used to make such comparisons.

Full-state value tax rates for residential real estate are computed by multiplying the 2003 property tax rate by the “sales ratio,” as shown in Table 1. After making this adjustment for all municipalities, we found that the average full-state value tax rate for residential real estate is 1.53 percent. The full-state value tax rate for personal property and business real estate is found by multiplying the property tax rate by the “certified ratio,” or the “adjusted certified ratio” or the “adjusted variant ratio” when necessary under Maine Revenue Services guidelines.<sup>16</sup> After making the appropriate adjustments, we found that the average full-state value tax rate for personal property and business real estate is 1.53 percent.

---

<sup>16</sup> These guidelines are discussed in footnote 11.

## Effects of One-Percent Property Tax Cap

Table 4 compares the full-state value tax rates for residential real estate to estimated post-initiative tax rates in the 15 largest Maine municipalities. The first column of figures, reproduced from Table 1, is the 2003 full-state value tax rate for residential real estate. The next column shows the estimated post-initiative tax rate. The right-hand-side column shows the percentage decrease in the full-state value tax rate for residential real estate under the property tax cap.

Table 5 shows the average taxes paid in these municipalities, with and without the tax cap, by an individual who built or purchased a home valued at \$150,000 in 2003. Estimates presented in the column labeled “2003 Property Taxes” are calculated by multiplying the full-state value tax rate for residential real estate by the market value of \$150,000. The next column shows the estimated taxes paid under the tax cap proposal. The right-hand-side column shows the decrease in property taxes that the average homeowner - who built or purchased a home worth \$150,000 in 2003 - would pay under the property tax cap.

Although the post-initiative tax rate is less than the 2003 full-state value tax rate for residential real estate in many municipalities (such as those shown in tables 4 and 5), the tax rate would increase under the tax cap proposal in 81 municipalities. This does not mean, however, that all homeowners in these municipalities would pay higher taxes. The total amount of taxes paid is determined by the tax rate and a property’s assessed valuation. Thus, the average individual who purchased or built a home prior to 2003 would pay lower taxes if the increase in value, between the year the home was purchased or built and 2003, more than offsets the increase in the tax rate. On the other hand, the average individual who recently purchased or built a home would pay higher taxes under the property tax cap in these municipalities. The exact year in which a homeowner would have needed to purchase or build a home to pay lower taxes would differ by municipality.

Table 6 shows the municipalities in which the full-state value tax rate for residential real estate would increase as a result of the tax cap. Similar to Table 4, the first column of figures is the 2003 full-state value tax rate for residential real estate. The next column shows the estimated post-initiative tax rate. The right-hand-side column shows the percentage increase in the full-state value tax rate for residential real estate under the property tax cap.

Table 7 compares the estimated taxes paid in these municipalities, before and after the tax cap, by the average homeowner who built or purchased a home valued at \$150,000 in 2003. Similar to Table 5, estimates presented in the first column of figures are calculated by multiplying the average 2003 full-state value tax rate for residential real estate by the market value of \$150,000. Estimates shown in the next column are calculated by multiplying the home’s value by the post-initiative tax rate. The right-hand-side column shows the increase in property taxes that the average homeowner - who built or purchased a home worth \$150,000 in 2003 - would pay under the property tax cap. The municipalities shown in Tables 6 and 7 are quite diverse in terms of household income and housing values.



## Effects of One-Percent Property Tax Cap

Table 8 shows that median household incomes range from less than \$30,000 per year in 20 of the municipalities to over \$40,000 per year in 25 of the municipalities. Median housing values in these municipalities also vary considerably. The right-hand-side column shows the percentage of “recent movers” (i.e., individuals who moved between 1995 and 2000) who previously lived elsewhere in Maine. This information suggests that, in most cases, a relatively small percentage of the individuals who would pay higher taxes under the property tax cap are from outside the state.

The full-state value tax rate for personal property would increase in 65 municipalities under the tax cap proposal. These municipalities are shown in Table 9. The first column of figures is the 2003 full-state value tax rate for personal property. In some municipalities, this rate may differ from the full-state value tax rate for residential real estate because of differences in the statistics used to convert municipal assessed valuations to full-state values. The next column shows post-initiative tax rates, which are identical to those presented in Table 6. The right-hand-side column shows the percentage increase in the full-state value tax rate for personal property under the property tax cap.

Table 10 shows the total increase in taxes paid on personal property under the property tax cap proposal. The first column shows the 2003 full-state value of personal property in each municipality. The tax cap referendum states that, “[d]epreciation on personal property shall be depreciated and listed from the annual form as supplied by the taxpayer.”<sup>17</sup> This allowance for depreciation suggests that, in most cases, personal property is taxed at its full-state value in a given year. The amount of taxes paid is calculated by multiplying the full-state value of personal property by the full-state value tax rate. The middle two columns show the actual amount of personal property taxes paid in 2003 and the estimated amount of personal property taxes that would have been paid if the tax cap had been in effect in 2003. The right-hand-side column shows the total increase in personal property taxes paid by businesses under the property tax cap.

### 5. HOW MUCH PROPERTY TAX REVENUE WOULD MUNICIPALITIES LOSE FROM VACATION HOMEOWNERS?

*Bottom Line:* Maine municipalities would lose \$50.9 million, or 31.9 percent, of the property taxes paid by vacation homeowners under the property tax cap.

#### Full Explanation:

As shown in the previous section, the property tax cap could lower the taxes paid by Maine homeowners and businesses. It may also decrease the taxes paid by out-of-state and Maine residents who own vacation homes in the state. If the state increases income or sales taxes to help balance municipal budgets, the property tax cap could lead to a reduction in the property taxes paid by out-of-state residents that is offset through higher taxes paid by individuals who pay other state taxes.

---

<sup>17</sup> Proposed section 353, subsection 1 of “An Act to Impose Limits on Real and Personal Property Taxes.”

## Effects of One-Percent Property Tax Cap

The unavailability of town-level data on out-of-state homeownership, however, precludes us from estimating the shift in the taxes paid by out-of-state homeowners to individuals who pay state income and sales taxes. U.S. Census data, however, can be used to estimate the amount of tax revenue that would be lost from “vacation” homeowners. Documentation provided by the Census indicates that housing units classified as “vacant – for seasonal, recreational, and occasional use” can be used as a proxy for “vacation” homes.<sup>18</sup>

We use this information to calculate the percentage of vacation homes in each municipality, found by dividing the number of vacation housing units by the total number of housing units. Based on these percentages, we estimate that Maine municipalities collected a total of \$159.8 million in property taxes from vacation homeowners in 2003. This is 14.7 percent of the \$1.08 billion in taxes collected on residential real estate. The amount of taxes collected from vacation homeowners would fall to an estimated \$108.9 million under the tax cap proposal. These figures suggest that Maine municipalities would lose \$50.9 million, or 31.9 percent, of the property taxes paid by vacation homeowners.

### 6. HOW WOULD ADDITIONAL STATE SPENDING ON LOCAL EDUCATION INFLUENCE THE POTENTIAL IMPACTS OF THE PROPERTY TAX CAP?

*Bottom Line:* Incorporating the additional school funding that MMA predicts municipalities would receive from the state government, we find that the estimated fiscal deficits under the property tax cap would decrease from \$687.7 million to \$535.2 million.

#### Full Explanation:

Municipal fiscal deficits are calculated as the difference between the actual 2003 commitment and the amount of taxes the municipality could have collected under the tax cap proposal. Thus, a reduction in the local spending commitment would decrease the size of a municipality’s fiscal deficit. The passage of the MMA initiated bill in the June 2004 election, which increases the amount of general purpose aid for education provided to Maine municipalities, could decrease the fiscal impacts of the property tax cap.

In this section, we estimate the impact of the property tax cap after incorporating the reduction in local education spending made possible by the passage of the MMA bill. We use information from the MMA on the increase in state aid for education that each municipality would receive.<sup>19</sup> Our analysis assumes that municipalities use 100 percent of the increased state funding received from the MMA bill to lower municipal spending. Although there is no guarantee that this will occur, the analysis illustrates the maximum amount by which the implementation of the MMA bill could decrease the fiscal deficits.

---

<sup>18</sup> According to the 2000 Census, Maine has the highest percentage of seasonal-, recreational-, or occasional-use homes in the United States.

<sup>19</sup> The analysis presented in the MMA study is based on the current school funding formula, which will change in 2005 under the Essential Programs and Services model. Thus, actual increases in state aid for education are expected to differ from the estimates used in this study.

## Effects of One-Percent Property Tax Cap

On the other hand, results presented in previous sections of the report can be interpreted as the impacts of the property tax cap if the municipalities did not use any of the additional revenue to lower local spending.

It should be noted that the analysis does not incorporate the full increase in state aid for education that municipalities are predicted to receive under the MMA bill in the absence of the property tax cap.<sup>20</sup> This is because, even after incorporating the effects of the MMA bill, the amount of local spending on education exceeded the amount of tax revenue received under the property tax cap in many Maine municipalities. In these municipalities, we reduced the amount of local spending on education to one percent of the tax base allowed under the tax cap proposal, and then decreased the amount received from the state government in proportion to the decrease in local spending on education. With these adjustments in place, municipalities are estimated to receive an additional \$155.5 million in state aid for education as a result of the MMA bill, if the tax cap was in effect in 2003. Incorporating this additional state aid for education, we find that the estimated fiscal deficits under the property tax cap would decrease from \$687.7 million to \$535.2 million.

### 7. HOW WOULD THE TAX CAP EFFECTS COMPARE TO CURRENT LOCAL AND STATE GOVERNMENT SPENDING LEVELS?

*Bottom Line: Maine municipalities spent an estimated \$2.16 billion on public services in 2003, including \$991.2 million in local spending on education and over \$100 million each on general administration, law enforcement and road maintenance. Assuming that municipalities use 100 percent of the additional state school funding to decrease local expenditures on education, we estimate that total municipal expenditures would have decreased to \$1.32 billion if the tax cap had been in effect in 2003. Spending on general administration, law enforcement and road maintenance would have decreased from over \$100 million in each category to less than \$50 million in each category under the property tax cap. Cuts made to expenditure areas other than local education, debt payments and county taxes represent a 69.4 percent reduction from spending levels without the property tax cap.*

*State appropriations total \$5.22 billion over the two-year budget for FY 04-05. Assuming that state revenues are fixed and municipalities use 100 percent of the additional state school funding to decrease local expenditures on education, we estimate that it would require 20.5 percent of the total state budget to help municipalities overcome the effects of the property tax cap.*

---

<sup>20</sup> The MMA study entitled “Estimated Town-by-Town Impact of the Citizen-Initiated School Finance and Tax Reform Act of 2003” shows that municipalities would receive an additional \$187 million in state aid for education under that Act. This amount does not include additional state spending of \$18.8 million for a “regionalization plan,” or \$45.5 million in additional adjustments. In total, the MMA study found that the School Finance and Tax Reform Act of 2003 would have increased state spending on education by about \$255.9 million in FY 2004. Again, however, the MMA analysis is not based on the Essential Programs and Services school funding model, which takes effect in 2005.

## Effects of One-Percent Property Tax Cap

### Full Explanation:

Fiscal deficits associated with the property tax cap could lead to changes in the provision of local services, in the services provided or financed by the state government, or in fees or other state taxes. In this section, we examine the reduction in local government spending that could occur as a result of the property tax cap. We also analyze the reduction in state government spending that would be necessary if the state were to help municipalities balance their budgets. In the next section, we look at the increase in state sales and income taxes that could offset the local revenue lost under the property tax cap.

Before looking at expenditures, we first examine the sources of revenue for Maine municipalities. The four most important revenue sources to Maine municipalities in 2003 were (1) taxes on real and personal property, (2) general purpose aid to local schools, (3) excise taxes on motor vehicles and watercrafts, and (4) revenues received through state and municipal revenue sharing. Maine Revenue Services statistics show that municipalities received a total of \$1.60 billion in property taxes in 2003. This amount would decrease to an estimated \$909.4 million under the property tax cap. Maine Department of Education statistics show that municipalities received \$661.5 million in general purpose aid to local schools in 2003. This amount would increase to an estimated \$845.8 million, based on MMA estimates.<sup>21</sup> Municipalities collected an additional \$181.0 million in excise taxes, and received \$103.9 million through state and municipal revenue sharing.<sup>22</sup>

Table 11 shows information on the estimated expenditures made by 472 Maine municipalities in 2003. Local education spending figures are from the Maine Department of Education. Other expenditure information is estimated using data from the MMA survey of Maine municipalities.<sup>23</sup> For municipalities that completed surveys, we calculated the percentage of expenditures in each category relative to total municipal commitments in 2001. These percentages varied across municipalities of different size categories. For the municipalities that completed surveys, we applied the percentages from 2001 to the total municipal commitment in 2003. We used the average percentage corresponding to the total commitment size (by category) to estimate expenditures for the municipalities that did not complete surveys.

The first column of figures shows estimated municipal expenditures in 2003, without implementing the effects of the MMA bill or the property tax cap. Municipalities spent an estimated \$2.16 billion on public services, including \$991.2 million in local spending on education and over \$100 million each on general administration, law enforcement and road maintenance. Municipalities spent between \$50 and \$100 million on fire protection, solid waste and recycling, county taxes and debt service. The next column shows the

---

<sup>21</sup> The original \$661.5 million in state spending on local education is less than the figure of \$681.1 million in the Maine Department of Education 2003-04 Subsidy Computation report because our analysis is based on a smaller number of municipalities than included in the Department of Education report. The increase in state spending on local education from the School Finance and Tax Reform Act of 2003 is less than the MMA estimates of \$187.0 million for the same reason.

<sup>22</sup> Excise tax data, which include information on motor vehicles and watercrafts, is from Maine Revenue Services. Information on state and municipal revenue sharing is from the Maine State Treasurer's Office.

<sup>23</sup> See footnote 14.

## Effects of One-Percent Property Tax Cap

estimated amount spent after incorporating a reduction in local education spending made possible by the passage of the MMA bill. If municipalities use 100 percent of the additional school funding - MMA predicts they will receive - to decrease local expenditures, the total amount spent on local public services would decrease from \$2.16 billion to \$1.98 billion.

The right-hand-side column of Table 11 shows a hypothetical example of estimated local expenditures under the property tax cap. These figures are based on a scenario that assumes (1) municipalities lose \$687.7 million in revenue under the property tax cap, (2) municipalities use 100 percent of the additional state school funding to decrease local expenditures on education, (3) municipalities maintain current spending levels on debt service and county taxes, (4) municipalities do not receive additional revenue from the state, and (5) cuts to expenditure categories other than local education, debt service and county taxes are made in proportion to their amounts relative to the total budget. Under this scenario, total municipal expenditures would decrease to \$1.32 billion. Spending on general administration, law enforcement and road maintenance would decrease from over \$100 million in each category to less than \$50 million in each category under the property tax cap. Cuts made to expenditure areas other than local education, debt payments and county taxes represent a 69.4 percent reduction from spending levels without the property tax cap. Other scenarios will yield different cuts to municipal services.

In order for Maine municipalities to continue providing current levels of public services under the property tax cap, they would need to receive additional financial resources from the state government. With no increase in state revenue, however, this would lead to reductions in spending by the state government. To put these cuts into perspective, we show current FY 04-05 general fund appropriations in Table 12. The first column of figures shows the general fund appropriations, by category, for FY 04-05. State appropriations total \$5.22 billion over the two-year budget cycle.

The right-hand-side column of Table 12 is a hypothetical example of FY 04-05 general fund appropriations that would be necessary to accommodate the increased state spending on education estimated under the MMA bill. This analysis is based on the assumptions that total state expenditures are fixed at \$5.22 billion (i.e., no additional state revenues) and the passage of the MMA bill will require an additional \$248.7 million in state spending on education in both years, for a two-year total of \$479.5 million. The analysis also assumes that in order to make room for the increased state spending on education, the remaining expenditure categories are decreased in proportion to their size relative to the overall budget. Under this scenario, 46.3 percent of the state's budget would be spent on K-12 education.

Table 13 shows additional hypothetical examples of FY 04-05 general fund appropriations under several scenarios related to the property tax cap. The column labeled "Hypothetical Appropriations under Tax Cap" shows a hypothetical example of FY 04-05 general fund appropriations that would help Maine municipalities balance the fiscal deficits under the property tax cap. Assumptions underlying this analysis are that

## Effects of One-Percent Property Tax Cap

total state expenditures are fixed at \$5.22 billion, the property tax cap will leave municipalities with a \$687.7 million deficit in both years, state spending on K-12 education is held at \$1.92 billion, and the remaining expenditure categories are decreased in proportion to their size relative to the budget. Under this hypothetical scenario, over one-quarter of the state's budget would be used to help municipalities overcome the effects of the property tax cap.

The next column shows a hypothetical example of FY 04-05 general fund appropriations that would be necessary to help Maine municipalities bridge the gap between spending commitments and revenues allowed under the property tax cap, incorporating the effects of the MMA bill. This analysis is based on the case in which Maine municipalities use the additional state school funding to reduce their spending. Assumptions underlying the analysis are that total state expenditures are fixed at \$5.22 billion, implementation of the MMA bill and the property tax cap will leave municipalities with a \$535.2 million deficit in both years, state spending on K-12 education is increased to \$2.36 billion, and the remaining expenditure categories are decreased in proportion to their size relative to the budget. This hypothetical scenario would require \$1.07 billion in state spending, or 20.5 percent of the total budget, to help municipalities overcome the effects of the property tax cap.

The right-hand-side column of Table 13 shows a hypothetical example of FY 04-05 general fund appropriations that would be necessary to help Maine municipalities balance fiscal deficits incurred under the property tax cap. This scenario is based on the case in which the state provides 55 percent of the cost of local education, but municipalities do not make any reductions in expenditures made possible by that additional state spending. Assumptions underlying the analysis are that total state expenditures are fixed at \$5.22 billion, the property tax cap leaves municipalities with a \$687.7 million deficit in both years, state spending on K-12 education is increased to \$2.36 billion, and the remaining expenditure categories are decreased in proportion to their size relative to the overall budget.

### 8. WHAT TYPES OF INCREASES IN STATE INCOME AND SALES TAXES COULD OFFSET THE LOCAL REVENUE LOST FROM THE PROPERTY TAX CAP?

Bottom Line: *The state could make up for the revenue lost under the property tax cap by either increasing state income or sales taxes, or some combination of the two. In order for the state to collect \$687.7 million in additional revenue to transfer to municipal governments, it would need to increase the amount of revenue collected through income taxes by 64.2 percent. For a family with a household income of between \$35,650 and \$45,124, this amounts to an additional \$652 in state income taxes. On the other hand, the state would need to increase the amount received through sales and use taxes by 80.2 percent in order to increase collections by \$687.7 million. This would increase the state sales tax rate from 5 percent to slightly over 9 percent.*

## Effects of One-Percent Property Tax Cap

### Full Explanation:

As discussed above, the property tax cap could lead to a reduction in expenditures on local public services. However, municipalities could maintain existing spending levels with additional funding received from the state government. With no additional sources of revenue for the state government, this could lead to reductions in state spending in other areas. Municipalities and the state government could maintain current spending levels through an increase in state income and/or sales taxes. In this section, we examine the increases in state income and sales taxes that would be necessary to help municipalities balance fiscal deficits under the property tax cap.

Table 14 shows the major revenue sources for the state government in 2003. The state collected \$2.39 billion in general fund revenue in 2003. Of this amount, the state collected \$1.07 billion in individual income taxes and \$857.5 million in sales and use taxes. These two categories made up 80.6 percent of total general fund revenue in 2003.

As presented earlier in the report, Maine municipalities would have lost \$687.7 million in revenue if the property tax cap had been in effect in 2003. Fiscal deficits would have decreased to \$535.2 million if the municipalities used additional state spending on education to reduce local expenditures.

The state could make up for the revenue lost under the property tax cap by either increasing state income or sales taxes, or some combination of the two. In order for the state to collect \$535.2 million to \$687.7 million in additional revenue to transfer to municipal governments, it would need to increase the amount of revenue collected through income taxes by 49.9 percent to 64.2 percent.<sup>24</sup> Using information from the 2002 *Maine Tax Incidence Study* conducted by Maine Revenue Services, we estimate that the average Maine family with a household income between \$35,650 and \$45,124 paid \$1,016 in state income taxes in 2003. For the state to increase income tax collections by \$687.7 million, our estimates show that a family in this income category would pay an additional \$652 in state income taxes.

On the other hand, the state would need to increase the amount received through sales and use taxes by 62.4 percent to 80.2 percent in order to increase collections by \$535.2 million to \$687.7 million. Based on 2003 taxable sales data from Maine Revenue Services, we estimate that the state collected \$807.5 million in sales tax revenue under the current 5-percent tax rate. A 9-percent tax rate would have generated \$1.51 billion in sales tax revenue in 2003, which represents an increase of \$651.5 million over the amount of sales taxes collected under the 5-percent tax rate. Assuming that an increase in the sales tax rate does not lead to a substantial decrease in purchases, we estimate that a state sales tax rate of slightly higher than 9 percent would generate the additional revenue necessary to help municipalities balance fiscal deficits under the property tax cap.

---

<sup>24</sup> As discussed above, the figure of \$535.2 million incorporates additional state spending for local education. If the state were to provide revenues to municipalities to cover the impact of the tax cap, and transfer revenues to provide additional school funding as predicted by MMA, the total cost to the state would be \$755 million.

9. WHAT LONG-TERM EFFECTS WOULD A PROPERTY TAX CAP HAVE ON MAINE MUNICIPALITIES AND THE STATE GOVERNMENT?

Bottom Line: *A property tax cap in Maine could have impacts beyond the straightforward reduction of one type of tax. Changing local tax structures could shift the tax burden away from some property owners, taxpayers, and businesses and onto others; could shift control of local revenues and expenditures from one level of government to another; could force communities to raise other fees; and could affect land use and property values.*

Full Explanation:

The analysis presented in this report illustrates some of the potential fiscal impacts of a one-percent property tax cap on Maine municipalities and the state government. The property tax cap, as written, could lead to fiscal deficits of between \$535.2 million and \$687.7 million across 472 municipalities. Deficits of these magnitudes could lead to reductions in local expenditures on public services - other than local education, debt payments and county taxes - of 69.4 percent. If the state provides additional revenues to help municipalities maintain current spending levels, the property tax cap could lead to substantial reductions in other state expenditures. Finally, maintaining current municipal and state spending levels under the property tax cap, it would require a 62.4 percent to 80.2 percent increase in the revenue received from state sales and use taxes, or a 49.9 percent to 64.2 percent increase in the revenue received from state income taxes.

These figures illustrate the range of short-term fiscal impacts that Maine municipalities and the state government could face under the property tax cap. The fiscal impacts estimated in the study could be offset, in part, by additional state and local taxes if Maine residents and businesses spend a portion of the money saved through the property tax cap. The long-term effects of a property tax cap, however, are less clear. In this section, we look at the experience in other states with property tax caps, notably California and Massachusetts, to grasp the potential long-term effects of a property tax cap in Maine.

***Short-term effects of Proposition 2- ½ in Massachusetts***

Sudden revenue drops caused by property tax caps can shock the budgets of local communities. In a study of Massachusetts' Proposition 2- ½ Rothenberg and Smoke (1982) compared the effect of new tax limits on different types of communities. Proposition 2- ½ approved by voters in 1980, limits local property taxes in Massachusetts to 2.5 percent of a property's fair market value. Communities may not increase their tax rate by more than 2.5 percent per year. The proposition also limited motor vehicle excise taxes to \$25 for every \$1,000 of valuation.

Most local governments faced severe revenue losses in the first year after the implementation of Proposition 2- ½ However, not all communities were affected



## Effects of One-Percent Property Tax Cap

equally. Rothenberg and Smoke (1982) found that smaller communities lost a smaller percentage of their revenue than larger communities; poorer communities fared worse than wealthier ones (based on per capita property valuation); and communities with declining populations experienced larger revenue losses than growing ones.

Rothenberg and Smoke (1982) also looked at trends in local governments' responses to the revenue shock. For 41 communities, they looked at expenditure changes in seven categories immediately following the proposition's passage: schools, police, fire, streets, parks, sanitation, and libraries. They found that expenditure cuts varied greatly across municipalities. However, communities seemed to protect spending in three categories: police, fire, and sanitation. On average, schools experienced percentage cuts roughly double the percentage decrease in total appropriations, perhaps because they comprise a large portion of community expenditures.<sup>25</sup> Parks and libraries were also subject to large reductions in expenditures.

### *Longer-term effects of property tax caps in California and Massachusetts*

Supporters of Proposition 13 anticipated that the property tax cap would reduce California residents' overall tax burden and trim government spending. Michael New of the Cato Institute recently completed a comparative analysis of state taxes and expenditures in California between 1979 and 2000. New (2003) found that the stabilization of property tax revenues did not stabilize the overall tax burden of Californians. From 1979 to 2000, property taxes remained below 3 percent of state personal income but sales and income taxes gradually increased from a 5.5 percent to 7 percent.<sup>26</sup> State and local revenues dropped for a few years after the passage of Proposition 13, and then continued to grow. Likewise, California's general fund spending leveled for a few years and then increased. New government revenues were generated by increases in the sales tax rate and taxes on beer, wine, gasoline, cigarettes, and other products.

Studies on the long-term effects of Proposition 13 also show that it increased state control over local finances. The proposition essentially changed property taxes from a local to a state tax (Sexton et al, 1999). It granted the state government the power to collect and redistribute property tax revenues according to allocation formulas developed by the state. California's state government immediately became involved by using revenue surpluses in 1979 to bail out many local governments that were suffering drastic revenue cuts. It then assumed primary responsibility for creating and adjusting allocation formulas. Subsequent increases in the sales tax rate are cited as further evidence of a

---

<sup>25</sup> Another study of 208 communities in the greater Boston area supports these findings. Bradbury et al. (2001) studied the expenditure patterns of those communities one to four years after the passage of Proposition 2-½. They found that communities hardest hit by the property tax limits increased school expenditures significantly less than communities that saw smaller impacts from Proposition 2-½.

<sup>26</sup> Sexton et al. (1999) used another measure of tax burden and reached a different conclusion. They found that California's per capita tax revenue declined from 13.1 percent in 1979 to 10.2 percent in 1995.

## Effects of One-Percent Property Tax Cap

power shift (Chapman, 1998). Chapman (1998) also found that in California, because counties cannot adjust the state sales tax rate to pay for local services and since the property tax is inaccessible, the revenue sources available to counties are essentially controlled by the State. A desire for financial independence may push local governments to find alternative revenue sources over which they have sole control.

Property taxes are generally the primary source of revenue for local governments. Limiting that revenue source may force communities to reduce spending or find alternative revenue sources. In California, this process generated a wide range of “arcane finance techniques” (Chapman, 1998) such as the creation of special assessment districts.

Sexton et al. (1999) describe the emergence of “special assessment districts.” These districts impose charges on property for certain services such as flood control and street lighting. Fees collected from property owners within these districts increased from \$64.4 million in 1983 to \$401.4 million in 1995. The state also approved “community facilities districts” which can impose taxes to finance public facilities such as streets, water and sewage, parks, and libraries, as well as public services such as police and fire protection, library services, parks and recreation services.

Prior to Proposition 13, infrastructure for new developments (residential, commercial, or industrial) was funded through broad-based, community-wide taxes and/or debt. Since 1978, there has been a shift toward fees charged to those who are building or using the development. In one California county, total development fees between 1992-1995 for permits, water and sewage, fire, traffic, park, and schools, ranged from \$16,000 to \$24,000 per dwelling. It should be noted that this observation was made during a time of rapid development in California. However, similar types of fee increases were observed in Massachusetts (Rothenberg and Snow, 1982).

Chapman (1998) observes an increase in public entrepreneurship. In order to generate revenue, public municipalities are engaging in more creative and risky activities that include partnerships with private developers and direct tax subsidies to attract or retain private firms or developers.

In California, limitations on revenue generated through property taxes have increased the importance of land uses that generated alternative revenue (Chapman, 1998). For example, Californian municipalities receive a portion of the sales tax generated within their jurisdiction. Thus, local governments have competed for the location of large retailers and car dealerships in favor of residential development that does not generate sales tax revenue (Chapman, 1998).

Sexton et al. (1999) observe that the revaluation of property only when ownership changes results in varying tax burdens on taxpayers with identical means and assets. Since property values generally increase over time, a household living in a recently purchased residence will pay more property tax than an identical household living in an identical residence that it has owned for several years. Comparing tax incidence in two California counties revealed that tax rates on identical properties could vary as much as

## Effects of One-Percent Property Tax Cap

519 percent, depending on the year in which the property was purchased (Sexton et al, 1999). By matching household property tax and income data for those counties, researchers found that the discrepancies generally benefited lower-income households. Apparently, lower-income households tend to move less frequently than higher-income households. Similarly, seniors tended to have lower tax rates than non-seniors living in identical dwellings.

Rosen (1982) investigated the effects of Proposition 13 on relative property values in the San Francisco Bay Area. The analysis found that decreases in property taxes were absorbed into property sale prices. For the years immediately before and after Proposition 13, Rosen (1982) calculated the mean property sale price of each municipality and the corresponding level of taxes on a property associated with that value. He found that a one-dollar decrease in relative property taxes corresponded to a seven-dollar increase in relative property values. This supports the notion of capitalization: if the cost of owning a home decreases (i.e. a decrease in property tax), buyers are willing to pay higher housing prices.

This phenomenon tends to benefit households that move less frequently more than households that move more frequently (Sexton et al, 1999). This so-called “moving penalty” could make households and businesses less responsive to economic factors that would stimulate them to move to a new area or a different type of facility. However, since the property tax rate is never above one percent of the sale value, this effect may not be very large.

Bradbury et al. (2001) found contradictory results in their analysis of property values in Massachusetts before and after Proposition 2- ½. As previously discussed, they found a connection between the revenue shocks experienced in some communities and relative decreases in school spending. They also found a positive correlation between school spending and house prices. Thus, they claim that Proposition 2- ½ may have contributed to relatively lower house prices in towns that experienced significant revenue losses.

The overall lesson learned from other states is that property tax caps can have impacts beyond the straightforward reduction of one type of tax. Changing local tax structures can shift the tax burden away from certain property owners, taxpayers, and businesses and onto others; can shift control of local revenues and expenditures from one level of government to another; can force communities to raise other fees; and can affect land use and property values.

## Effects of One-Percent Property Tax Cap

### REFERENCES

- K. Bradbury, C. Mayer, and K. Case. 2001. "Property Tax Limits, Local Fiscal Behavior, and Property Values: Evidence from Massachusetts under Proposition 2-½" *Journal of Public Economics*. (80)2.
- J. Chapman. 1998. "Proposition 13: Some Unintended Consequences." Public Policy Institute of California Occasional Paper.
- D. Gagnon. 2004. "Bangor Eyes Ways to Lessen Tax-Cap Impact." *Bangor Daily News*, August 16, 2004.
- J. D. Gerard. 2004. Acting Executive Director of Maine Revenue Services, interdepartmental memorandum, dated March 3, 2004 to Senator Stephen Stanley and Representative David Lemoine.
- J. Kirlin and J. Chapman. 1979. "California State Finance and Proposition 13." *National Tax Journal* (32)2.
- Maine Municipal Association, 2004a. "Estimated 2003 Impact of 1% Tax Cap: Likely Impact," updated July 20, 2004, <http://www.memun.org/resources/Public/news/pp/main.htm>.
- Maine Municipal Association, 2004b. "Estimated 2003 Impact of 1% Tax Cap: As Written Impact," <http://www.memun.org/resources/Public/news/pp/analysis/Worst.pdf>
- Maine Supreme Judicial Court, April 16, 2004, Opinion of the Justices to questions propounded by the Maine Senate and the Maine House of Representatives.
- M. New. 2003. "Proposition 13 and State Budget Limitations: Past Successes and Future Option." Cato Institute Briefing Paper No. 83.
- K. Rosen. 1982. "The Impact of Proposition 13 on House Prices in Northern California: A Test of the Interjurisdictional Capitalization Hypothesis." *Journal of Political Economy* (90)1.
- J. Rothenberg and P. Smoke. 1982. "Early Impacts of Proposition 2-½ on the Massachusetts State-Local Public Sector." *Public Budgeting and Finance* (2)4.
- T. Sexton, S. Sheffrin, and A. O'Sullivan. 1999. "Proposition 13: Unintended Effects and Feasible Reforms." *National Tax Journal* (52)1.

Effects of One-Percent Property Tax Cap

Table 1  
2003 Property Tax Rates in Selected Maine Municipalities

Municipality	2003 Property Tax Rate	Average Ratio *	2003 Full-State Value Tax Rate for Residential Real Estate
Portland	2.68%	0.68	1.82%
Lewiston	2.77%	<b>0.79</b>	2.19%
Bangor	2.33%	0.89	2.08%
South Portland	1.75%	<b>0.79</b>	1.38%
Auburn	2.94%	<b>0.69</b>	2.03%
Brunswick	2.15%	0.77	1.66%
Biddeford	1.74%	<b>0.78</b>	1.36%
Sanford	1.64%	<b>0.92</b>	1.51%
Augusta	2.53%	<b>0.83</b>	2.10%
Scarborough	1.65%	0.86	1.42%
Saco	1.87%	<b>0.70</b>	1.31%
Westbrook	2.28%	<b>0.67</b>	1.53%
Waterville	2.74%	0.94	2.58%
Windham	1.73%	<b>0.81</b>	1.40%
Gorham	1.94%	0.84	1.63%

Source: Maine Revenue Services and authors' calculations.

\* Entries in **bold** type are the average ratios used to compute the 2005 Equalized State Valuation, while the other entries are the average ratios used to compute the 2004 Equalized State Valuation. Average ratios from the 2005 Equalized State Valuation are currently available for 311 of the 472 municipalities included in the analysis. If the average ratios change between the 2004 and 2005 Equalized State Valuations in the other 161 municipalities, the full-state value tax rates will change as well.

Effects of One-Percent Property Tax Cap

Table 2  
Full-State Values of Real and Personal Property, 1996 and 2003

Category	Full-State Value in 1996	Full-State Value in 2003	Increase in Full-State Value between 1996 and 2003
Personal Property	6,387,280,420	9,206,989,095	2,819,708,675
Residential Real Estate	47,811,373,813	82,176,776,012	34,365,402,199
Business Real Estate	11,616,424,366	17,743,671,793	6,127,247,427
Total Real and Personal Property *	67,401,350,000	111,247,325,192	43,845,975,192

Source: Maine Revenue Services and authors' calculations.

\* Total values of real and personal property exceed the sum of the three included categories because the total values include electrical utility properties, and the use values of open space, farmland and land classified under the Maine Tree Growth Law.

Effects of One-Percent Property Tax Cap

Table 3  
Estimated 2003 Fiscal Deficits in Selected Maine Municipalities

Municipality	Municipal Commitment	Collections under the Tax Cap Proposal	Estimated Deficit
Portland	111,276,064	54,394,368	56,881,696
Lewiston	38,929,604	20,399,012	18,530,592
Bangor	39,807,705	18,083,779	21,723,926
South Portland	49,067,965	24,671,297	24,396,668
Auburn	35,687,125	14,529,259	21,157,866
Brunswick	24,941,415	12,891,701	12,049,714
Biddeford	25,157,383	13,979,386	11,177,997
Sanford	18,421,209	9,614,678	8,806,531
Augusta	23,695,130	12,175,525	11,519,605
Scarborough	32,969,169	22,159,137	10,810,032
Saco	21,252,361	12,509,637	8,742,724
Westbrook	26,376,773	12,832,092	13,544,681
Waterville	15,106,710	6,198,476	8,908,234
Windham	17,970,916	10,010,329	7,960,587
Gorham	16,283,603	9,363,240	6,920,363

Source: Maine Revenue Services and authors' calculations.

## Effects of One-Percent Property Tax Cap

Table 4  
Decreases in Full-State Value Tax Rates for  
Residential Real Estate under the Property Tax Cap

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Decrease in Tax Rate
Portland	1.82%	1.30%	28.62%
Lewiston	<b>2.19%</b>	1.41%	35.51%
Bangor	2.08%	1.12%	46.20%
South Portland	<b>1.38%</b>	1.11%	19.99%
Auburn	<b>2.03%</b>	1.13%	44.08%
Brunswick	1.66%	1.10%	33.41%
Biddeford	<b>1.36%</b>	1.09%	19.59%
Sanford	<b>1.51%</b>	1.13%	25.42%
Augusta	<b>2.10%</b>	1.31%	37.61%
Scarborough	1.42%	1.37%	2.92%
Saco	<b>1.31%</b>	1.20%	8.48%
Westbrook	<b>1.53%</b>	1.11%	27.34%
Waterville	2.58%	1.13%	56.03%
Windham	<b>1.40%</b>	1.09%	21.91%
Gorham	1.63%	1.28%	21.67%

Source: Authors' calculations.

\* Entries in **bold** type were calculated using average ratios from the 2005 Equalized State Valuation, while the other entries were calculated using average ratios from the 2004 Equalized State Valuation. Average ratios from the 2005 Equalized State Valuation are currently available for 311 of the 472 municipalities included in the analysis. If the average ratios change between the 2004 and 2005 Equalized State Valuations in the other 161 municipalities, the full-state value tax rates will change as well.



Effects of One-Percent Property Tax Cap

Table 5  
Estimated Decrease in Taxes Paid on Residential Real Estate under the Property Tax Cap

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Decrease in Taxes
Portland	2,734	1,951	783
Lewiston	3,282	2,117	1,165
Bangor	3,117	1,677	1,440
South Portland	2,073	1,658	415
Auburn	3,041	1,700	1,341
Brunswick	2,483	1,653	830
Biddeford	2,042	1,642	400
Sanford	2,266	1,690	576
Augusta	3,154	1,967	1,187
Scarborough	2,123	2,061	62
Saco	1,963	1,797	166
Westbrook	2,290	1,664	626
Waterville	3,863	1,699	2,164
Windham	2,102	1,641	461
Gorham	2,444	1,915	529

Source: Authors' calculations.

\* Values are the estimated taxes paid by an individual who built or purchased a home valued at \$150,000 in 2003.

Effects of One-Percent Property Tax Cap

Table 6  
Increases in Full-State Value Tax Rates for  
Residential Real Estate under the Property Tax Cap

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Increase in Tax Rate
Alfred	<b>0.97%</b>	1.06%	8.78%
Amherst	<b>0.81%</b>	1.02%	25.72%
Arrowsic	<b>0.79%</b>	1.03%	30.28%
Arundel	<b>0.97%</b>	1.06%	9.61%
Bar Harbor	<b>1.00%</b>	1.01%	1.58%
Beaver Cove	<b>0.40%</b>	0.65%	64.84%
Beddington	<b>0.43%</b>	0.65%	50.56%
Belmont	0.81%	1.03%	27.05%
Blue Hill	0.95%	1.03%	8.88%
Boothbay	1.04%	1.07%	2.40%
Bowerbank	<b>0.34%</b>	0.45%	32.67%
Bremen	0.84%	1.03%	22.01%
Brighton Plantation	<b>0.99%</b>	1.04%	4.87%
Bristol	<b>0.54%</b>	0.96%	79.66%
Brooklin	0.71%	1.00%	40.13%
Brooksville	0.66%	0.94%	41.96%
Buxton	<b>0.93%</b>	1.07%	14.35%
Carrabassett Valley	<b>0.60%</b>	0.81%	34.73%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 6  
Continued

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Increase in Tax Rate
Castine	0.87%	1.03%	18.02%
Centerville	<b>0.85%</b>	1.03%	20.68%
Cushing	<b>0.88%</b>	1.03%	17.73%
Dallas Plantation	<b>0.65%</b>	0.98%	51.35%
Deblois	<b>0.56%</b>	0.80%	42.20%
Deer Isle	0.90%	1.03%	14.54%
Dennistown Plantation	<b>0.60%</b>	0.67%	10.67%
Dixmont	<b>1.12%</b>	1.17%	4.19%
Embden	0.92%	1.00%	9.27%
Frenchboro	1.39%	1.40%	0.25%
Garfield Plantation	0.17%	0.21%	20.83%
Georgetown	<b>0.73%</b>	1.03%	41.16%
Grand Lake Stream	<b>0.96%</b>	1.02%	7.19%
Great Pond	<b>0.90%</b>	1.00%	10.98%
Hancock	<b>0.91%</b>	1.03%	13.47%
Harpwell	<b>0.70%</b>	1.04%	49.33%
Highland Plantation	<b>0.91%</b>	1.03%	13.22%
Islesboro	0.83%	1.00%	20.73%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 6  
Continued

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Increase in Tax Rate
Kennebunkport	<b>0.92%</b>	1.48%	60.87%
Lake View Plantation	<b>0.34%</b>	0.52%	50.60%
Lakeville	<b>0.30%</b>	0.62%	103.63%
Lamoine	<b>0.94%</b>	1.00%	6.61%
Lovell	<b>0.95%</b>	1.00%	5.44%
Lyman	<b>0.85%</b>	1.03%	20.97%
Macwahoc Plantation	<b>0.86%</b>	0.97%	12.74%
Magalloway Plantation	0.71%	0.80%	12.10%
Matinicus Isle Plantation	0.54%	0.88%	62.15%
Monhegan	0.60%	0.89%	48.93%
Mount Desert	<b>0.72%</b>	1.08%	51.27%
Nashville Plantation	<b>0.66%</b>	0.67%	1.30%
Newfield	<b>0.74%</b>	1.00%	35.23%
Newry	0.84%	1.00%	19.30%
North Berwick	<b>0.99%</b>	1.01%	2.28%
North Haven	<b>0.74%</b>	1.03%	39.37%
Northfield	<b>0.83%</b>	0.94%	12.31%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 6  
Continued

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Increase in Tax Rate
Ogunquit	0.69%	1.14%	63.48%
Otis	<b>0.92%</b>	1.00%	8.93%
Penobscot	0.99%	1.00%	0.52%
Phippsburg	<b>0.93%</b>	1.06%	14.77%
Rangeley Plantation	<b>0.31%</b>	0.54%	76.89%
Robbinston	<b>0.95%</b>	1.03%	8.32%
Rockport	0.97%	1.06%	8.92%
Roque Bluffs	<b>0.77%</b>	1.00%	30.27%
Sandy River Plantation	<b>0.57%</b>	0.82%	42.39%
Sebec	<b>0.97%</b>	1.00%	2.98%
Shapleigh	<b>0.82%</b>	1.00%	22.10%
Sidney	<b>0.94%</b>	1.09%	15.29%
South Bristol	0.52%	0.74%	41.53%
Southport	0.58%	0.72%	24.48%
Southwest Harbor	<b>1.01%</b>	1.09%	7.22%
Steuben	<b>0.97%</b>	1.07%	10.20%
Surry	<b>1.01%</b>	1.01%	0.14%
Tremont	<b>0.76%</b>	1.03%	36.70%
Upton	0.82%	0.99%	20.45%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 6  
Continued

Municipality	2003 Full-State Value Tax Rate for Residential Real Estate *	Post-Initiative Tax Rate	% Increase in Tax Rate
Verona	<b>0.88%</b>	1.02%	16.75%
Vinalhaven	<b>0.92%</b>	1.06%	15.16%
Waldo	<b>1.02%</b>	1.03%	1.02%
Wells	<b>0.87%</b>	1.01%	16.15%
Westmanland	0.98%	1.00%	2.08%
Whiting	<b>0.73%</b>	1.09%	49.25%
Willimantic	<b>0.70%</b>	1.01%	43.87%
Winter Harbor	<b>0.88%</b>	1.02%	15.42%
York	<b>0.88%</b>	1.01%	14.50%

Source: Authors' calculations.

\* Entries in **bold** type were calculated using average ratios from the 2005 Equalized State Valuation, while the other entries were calculated using average ratios from the 2004 Equalized State Valuation. Average ratios from the 2005 Equalized State Valuation are currently available for 311 of the 472 municipalities included in the analysis. If the average ratios change between the 2004 and 2005 Equalized State Valuations in the other 161 municipalities, the full-state value tax rates will change as well.

Effects of One-Percent Property Tax Cap

Table 7  
 Estimated Increase in Taxes Paid on Residential Real Estate under the Property Tax Cap

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Increase in Taxes
Alfred	1,462	1,591	129
Amherst	1,220	1,534	314
Arrowsic	1,184	1,542	358
Arundel	1,455	1,595	140
Bar Harbor	1,494	1,518	24
Beaver Cove	594	979	385
Beddington	643	969	326
Belmont	1,216	1,545	329
Blue Hill	1,419	1,545	126
Boothbay	1,561	1,599	38
Bowerbank	505	670	165
Bremen	1,262	1,540	278
Brighton Plantation	1,490	1,563	73
Bristol	806	1,447	641
Brooklin	1,070	1,500	430
Brooksville	989	1,405	416
Buxton	1,402	1,603	201
Carrabassett Valley	898	1,210	312

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 7  
Continued

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Increase in Taxes
Castine	1,311	1,547	236
Centerville	1,276	1,540	264
Cushing	1,318	1,551	233
Dallas Plantation	969	1,467	498
Deblois	842	1,198	356
Deer Isle	1,351	1,548	197
Dennistown Plantation	907	1,003	96
Dixmont	1,685	1,755	70
Embden	1,373	1,500	127
Frenchboro	2,088	2,093	5
Garfield Plantation	261	315	54
Georgetown	1,094	1,544	450
Grand Lake Stream	1,433	1,536	103
Great Pond	1,352	1,500	148
Hancock	1,363	1,547	184
Harpswell	1,043	1,558	515
Highland Plantation	1,360	1,540	180
Islesboro	1,242	1,500	258

Table is continued on the following page.



Effects of One-Percent Property Tax Cap

Table 7  
Continued

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Increase in Taxes
Kennebunkport	1,383	2,225	842
Lake View Plantation	515	775	260
Lakeville	455	927	472
Lamoine	1,407	1,500	93
Lovell	1,426	1,504	78
Lyman	1,277	1,545	268
Macwahoc Plantation	1,287	1,451	164
Magalloway Plantation	1,065	1,194	129
Matinicus Isle Plantation	810	1,314	504
Monhegan	900	1,340	440
Mount Desert	1,075	1,627	552
Nashville Plantation	985	998	13
Newfield	1,109	1,500	391
Newry	1,257	1,500	243
North Berwick	1,485	1,519	34
North Haven	1,111	1,548	437
Northfield	1,249	1,403	154

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 7  
Continued

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Increase in Taxes
Ogunquit	1,042	1,704	662
Otis	1,377	1,500	123
Penobscot	1,492	1,500	8
Phippsburg	1,388	1,593	205
Rangeley Plantation	460	814	354
Robbinston	1,423	1,542	119
Rockport	1,462	1,592	130
Roque Bluffs	1,151	1,500	349
Sandy River Plantation	861	1,226	365
Sebec	1,457	1,500	43
Shapleigh	1,228	1,500	272
Sidney	1,416	1,633	217
South Bristol	787	1,115	328
Southport	869	1,081	212
Southwest Harbor	1,521	1,631	110
Steuben	1,451	1,599	148
Surry	1,512	1,514	2
Tremont	1,135	1,552	417
Upton	1,230	1,481	251

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 7  
Continued

Municipality	2003 Property Taxes *	Taxes under the Property Tax Cap *	Increase in Taxes
Verona	1,315	1,536	221
Vinalhaven	1,383	1,593	210
Waldo	1,530	1,546	16
Wells	1,306	1,517	211
Westmanland	1,469	1,500	31
Whiting	1,098	1,639	541
Willimantic	1,055	1,517	462
Winter Harbor	1,325	1,529	204
York	1,324	1,516	192

Source: Authors' calculations.

\* Values are the estimated taxes paid by an individual who built or purchased a home valued at \$150,000 in 2003.

Effects of One-Percent Property Tax Cap

Table 8  
 Characteristics of Municipalities with Increases in the  
 Full-State Value Tax Rate for Residential Real Estate

Municipality	Median 2000 Household Income	Median 2000 Housing Value	% of Movers from Maine *
Alfred	40,583	113,600	74.81%
Amherst	26,042	65,000	84.13%
Arrowsic	53,250	138,900	76.09%
Arundel	49,484	130,000	70.74%
Bar Harbor	37,481	143,100	60.33%
Beaver Cove	23,500	115,800	NA
Beddington	24,375	81,000	NA
Belmont	29,013	82,900	67.35%
Blue Hill	31,484	153,900	71.13%
Boothbay	41,406	145,500	66.67%
Bowerbank	27,917	85,000	NA
Bremen	36,167	132,900	87.55%
Brighton Plantation	27,083	26,300	NA
Bristol	38,400	128,800	69.35%
Brooklin	36,786	115,300	57.78%
Brooksville	36,458	109,200	63.44%
Buxton	48,958	113,000	86.62%
Carrabassett Valley	45,357	119,100	70.81%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 8  
Continued

Municipality	Median 2000 Household Income	Median 2000 Housing Value	% of Movers from Maine *
Castine	46,250	229,000	51.07%
Centerville	26,458	65,000	NA
Cushing	40,598	115,700	81.01%
Dallas Plantation	36,875	98,300	73.91%
Deblois	18,750	40,000	NA
Deer Isle	32,826	109,300	63.36%
Dennistown Plantation	85,889	95,000	NA
Dixmont	33,654	75,200	82.65%
Embden	31,397	85,600	75.00%
Frenchboro	38,125	137,500	NA
Garfield Plantation	31,250	67,500	NA
Georgetown	47,813	155,200	67.16%
Grand Lake Stream	28,750	82,500	NA
Great Pond	32,083	83,000	NA
Hancock	32,778	98,100	75.78%
Harpswell	40,611	162,500	50.87%
Highland Plantation	27,917	95,000	NA
Islesboro	39,643	139,000	72.25%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 8  
Continued

Municipality	Median 2000 Household Income	Median 2000 Housing Value	% of Movers from Maine *
Kennebunkport	54,219	240,700	53.28%
Lake View Plantation	18,125	102,800	NA
Lakeville	15,625	56,700	NA
Lamoine	39,783	102,900	78.18%
Lovell	33,365	99,100	55.02%
Lyman	47,860	111,700	76.09%
Macwahoc Plantation	23,750	24,000	NA
Magalloway Plantation	33,750	85,800	NA
Matinicus Isle Plantation	32,500	60,000	NA
Monhegan	26,250	166,700	NA
Mount Desert	41,321	189,300	71.50%
Nashville Plantation	36,875	95,000	NA
Newfield	38,654	92,500	66.60%
Newry	42,321	110,400	58.39%
North Berwick	46,883	108,400	63.94%
North Haven	40,446	152,800	83.54%
Northfield	36,250	108,300	45.45%
Ogunquit	47,727	208,600	37.99%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 8  
Continued

Municipality	Median 2000 Household Income	Median 2000 Housing Value	% of Movers from Maine *
Otis	36,250	98,200	74.32%
Penobscot	37,232	90,400	77.71%
Phippsburg	46,739	131,100	66.67%
Rangeley Plantation	34,167	172,900	50.98%
Robbinston	33,250	56,500	72.97%
Rockport	47,155	171,900	68.78%
Roque Bluffs	21,500	91,100	50.67%
Sandy River Plantation	31,875	85,000	NA
Sebec	33,125	79,400	91.12%
Shapleigh	42,026	109,500	71.95%
Sidney	42,500	97,900	87.78%
South Bristol	38,636	144,600	62.89%
Southport	38,125	231,700	61.78%
Southwest Harbor	36,555	121,600	58.12%
Steuben	25,208	66,700	65.96%
Surry	36,932	103,500	69.40%
Tremont	36,750	123,400	70.24%
Upton	35,000	100,000	NA

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 8  
Continued

Municipality	Median 2000 Household Income	Median 2000 Housing Value	% of Movers from Maine *
Verona	41,827	78,400	81.21%
Vinalhaven	34,087	115,800	80.54%
Waldo	29,063	81,300	93.82%
Wells	46,314	151,200	58.97%
Westmanland	30,750	72,500	NA
Whiting	28,304	82,800	81.63%
Willimantic	26,250	47,200	86.11%
Winter Harbor	28,571	84,700	42.76%
York	56,171	190,500	46.16%

Source: U.S. Census.

\* NA denotes that less than 50 residents moved between 1995 and 2000.



Effects of One-Percent Property Tax Cap

Table 9  
Increases in Full-State Value Tax Rates for  
Personal Property under the Property Tax Cap

Municipality	2003 Full-State Value Tax Rate for Personal Property *	Post-Initiative Tax Rate	% Increase in Tax Rate
Alfred	<b>0.97%</b>	1.06%	8.78%
Amherst	<b>0.81%</b>	1.02%	25.72%
Arundel	<b>0.97%</b>	1.06%	9.61%
Bar Harbor	<b>1.01%</b>	1.01%	0.37%
Beaver Cove	<b>0.40%</b>	0.65%	64.84%
Belmont	0.81%	1.03%	27.05%
Blue Hill	0.95%	1.03%	8.88%
Boothbay	1.04%	1.07%	2.40%
Brighton Plantation	<b>0.99%</b>	1.04%	4.87%
Bristol	<b>0.54%</b>	0.96%	79.66%
Brooklin	0.71%	1.00%	40.13%
Brooksville	0.66%	0.94%	41.96%
Buxton	<b>0.93%</b>	1.07%	14.35%
Carrabassett Valley	<b>0.61%</b>	0.81%	31.70%
Castine	0.87%	1.03%	18.02%
Deblois	<b>0.56%</b>	0.80%	42.20%
Deer Isle	0.90%	1.03%	14.54%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 9  
Continued

Municipality	2003 Full-State Value Tax Rate for Personal Property *	Post-Initiative Tax Rate	% Increase in Tax Rate
Dixmont	<b>1.12%</b>	1.17%	4.19%
Frenchboro	1.39%	1.40%	0.25%
Garfield Plantation	0.17%	0.21%	20.83%
Gouldsboro	<b>0.99%</b>	1.03%	4.38%
Grand Lake Stream	<b>0.96%</b>	1.02%	7.19%
Hancock	<b>0.91%</b>	1.03%	13.47%
Harpswell	<b>0.69%</b>	1.04%	51.38%
Islesboro	0.83%	1.00%	20.73%
Kennebunkport	<b>0.85%</b>	1.48%	74.00%
Lamoine	<b>0.94%</b>	1.00%	6.61%
Lovell	<b>0.87%</b>	1.00%	14.74%
Lyman	<b>0.85%</b>	1.03%	20.97%
Macwahoc Plantation	<b>0.86%</b>	0.97%	12.74%
Magalloway Plantation	0.71%	0.80%	12.10%
Matinicus Isle Plantation	0.54%	0.88%	62.15%
Monhegan	0.60%	0.89%	48.93%
Mount Desert	<b>0.72%</b>	1.08%	51.27%
Nashville Plantation	<b>0.66%</b>	0.67%	1.30%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 9  
Continued

Municipality	2003 Full-State Value Tax Rate for Personal Property *	Post-Initiative Tax Rate	% Increase in Tax Rate
Newfield	<b>0.74%</b>	1.00%	35.23%
Nobleboro	<b>1.01%</b>	1.04%	2.55%
North Berwick	<b>0.99%</b>	1.01%	2.28%
North Haven	<b>0.74%</b>	1.03%	39.37%
Northfield	<b>0.83%</b>	0.94%	12.31%
Ogunquit	0.75%	1.14%	52.20%
Otis	<b>0.92%</b>	1.00%	8.93%
Penobscot	0.99%	1.00%	0.52%
Phippsburg	<b>0.93%</b>	1.06%	14.77%
Robbinston	<b>0.95%</b>	1.03%	8.32%
Rockport	0.97%	1.06%	8.92%
Sandy River Plantation	<b>0.57%</b>	0.82%	42.39%
Sebec	<b>0.97%</b>	1.00%	2.98%
Sidney	<b>0.93%</b>	1.09%	16.94%
South Bristol	0.52%	0.74%	41.53%
Southport	0.48%	0.72%	51.16%
Southwest Harbor	<b>1.01%</b>	1.09%	7.22%
Stoneham	0.90%	1.02%	13.27%

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 9  
Continued

Municipality	2003 Full-State Value Tax Rate for Personal Property *	Post-Initiative Tax Rate	% Increase in Tax Rate
Surry	<b>1.01%</b>	1.01%	0.14%
Tremont	<b>0.76%</b>	1.03%	36.70%
Upton	0.82%	0.99%	20.45%
Verona	<b>0.88%</b>	1.02%	16.75%
Vinalhaven	<b>0.92%</b>	1.06%	15.16%
Waldo	<b>1.02%</b>	1.03%	1.02%
Wells	<b>0.89%</b>	1.01%	13.35%
West Bath	<b>0.91%</b>	1.00%	9.50%
Whiting	<b>0.73%</b>	1.09%	49.25%
Willimantic	<b>0.70%</b>	1.01%	43.87%
Winter Harbor	<b>0.88%</b>	1.02%	15.42%
York	<b>0.88%</b>	1.01%	14.50%

Source: Authors' calculations.

\* Entries in **bold** type were calculated using average ratios from the 2005 Equalized State Valuation, while the other entries were calculated using average ratios from the 2004 Equalized State Valuation. Average ratios from the 2005 Equalized State Valuation are currently available for 311 of the 472 municipalities included in the analysis. If the average ratios change between the 2004 and 2005 Equalized State Valuations in the other 161 municipalities, the full-state value tax rates will change as well.

Effects of One-Percent Property Tax Cap

Table 10  
Estimated Increase in Taxes Paid on Personal Property under the Property Tax Cap

Municipality	2003 Full-State Value of Personal Property	2003 Property Taxes	Taxes under the Property Tax Cap	Increase in Taxes
Alfred	3,312,522	32,297	35,133	2,836
Amherst	190,824	1,553	1,952	399
Arundel	6,776,238	65,743	72,061	6,318
Bar Harbor	12,836,407	129,391	129,866	475
Beaver Cove	103,838	411	678	267
Belmont	986,222	7,995	10,157	2,162
Blue Hill	4,286,989	40,555	44,155	3,600
Boothbay	5,347,510	55,660	56,998	1,338
Brighton Plantation	365,815	3,634	3,811	177
Bristol	7,126,068	38,274	68,765	30,491
Brooklin	1,608,239	11,476	16,082	4,606
Brooksville	38,621	255	362	107
Buxton	6,539,545	61,106	69,873	8,767
Carrabassett Valley	13,134,824	80,481	105,993	25,512
Castine	1,309,368	11,444	13,506	2,062
Deblois	10,071,188	56,560	80,429	23,869
Deer Isle	327,101	2,947	3,376	429

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 10  
Continued

Municipality	2003 Full-State Value of Personal Property	2003 Property Taxes	Taxes under the Property Tax Cap	Increase in Taxes
Dixmont	1,659,784	18,643	19,423	780
Frenchboro	757,184	10,540	10,567	27
Garfield Plantation	706,107	1,228	1,484	256
Gouldsboro	6,462,605	63,864	66,662	2,798
Grand Lake Stream	33,166	317	340	23
Hancock	6,658,732	60,518	68,669	8,151
Harpswell	4,945,831	33,938	51,375	17,437
Islesboro	758,069	6,279	7,581	1,302
Kennebunkport	3,479,488	29,666	51,620	21,954
Lamoine	1,750,004	16,415	17,500	1,085
Lovell	3,645,506	31,854	36,550	4,696
Lyman	3,544,522	30,178	36,507	6,329
Macwahoc Plantation	424,058	3,638	4,102	464
Magalloway Plantation	25,844	183	206	23
Matinicus Isle Plantation	98,239	531	860	329

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 10  
Continued

Municipality	2003 Full-State Value of Personal Property	2003 Property Taxes	Taxes under the Property Tax Cap	Increase in Taxes
Monhegan	83,465	501	746	245
Mount Desert	4,597,837	32,960	49,857	16,897
Nashville Plantation	14,080,294	92,451	93,648	1,197
Newfield	224,820	1,663	2,248	585
Nobleboro	1,751,260	17,704	18,156	452
North Berwick	133,655,166	1,322,890	1,353,059	30,169
North Haven	860,376	6,370	8,878	2,508
Northfield	180,748	1,505	1,690	185
Ogunquit	11,594,416	86,548	131,727	45,179
Otis	187,866	1,725	1,879	154
Penobscot	239,313	2,381	2,393	12
Phippsburg	2,402,088	22,232	25,516	3,284
Robbinston	232,624	2,208	2,391	183
Rockport	24,750,614	241,210	262,716	21,506
Sandy River Plantation	1,021,279	5,864	8,350	2,486
Sebec	641,742	6,232	6,417	185

Table is continued on the following page.

Effects of One-Percent Property Tax Cap

Table 10  
Continued

Municipality	2003 Full-State Value of Personal Property	2003 Property Taxes	Taxes under the Property Tax Cap	Increase in Taxes
Sidney	4,770,914	44,417	51,942	7,525
South Bristol	1,112,242	5,839	8,264	2,425
Southport	846,834	4,039	6,105	2,066
Southwest Harbor	7,166,086	72,664	77,907	5,243
Stoneham	45,865	415	470	55
Surry	1,043,262	10,516	10,531	15
Tremont	1,370,376	10,371	14,177	3,806
Upton	70,509	578	696	118
Verona	31,939	280	327	47
Vinalhaven	2,012,917	18,563	21,378	2,815
Waldo	343,260	3,501	3,537	36
Wells	58,692,083	523,681	593,585	69,904
West Bath	5,356,897	48,921	53,569	4,648
Whiting	238,958	1,749	2,611	862
Willimantic	216,153	1,520	2,186	666
Winter Harbor	748,157	6,608	7,627	1,019
York	19,193,997	169,425	193,986	24,561

Source: Authors' calculations.



Effects of One-Percent Property Tax Cap

Table 11  
Hypothetical 2003 Municipal Expenditures on Local Public Services

Category	Estimated 2003 Expenditures	Hypothetical Expenditures under MMA Bill	Hypothetical Expenditures under MMA Bill and Tax Cap
K-12 Education	991,204,911	806,813,277	835,702,512
General Administration	123,409,127	123,409,127	37,716,867
Law Enforcement	122,685,148	122,685,148	37,495,601
Fire Protection	85,655,240	85,655,240	26,178,350
Emergency Medical Services	19,307,374	19,307,374	5,900,809
Roads – Winter Maintenance	48,164,169	48,164,169	14,720,156
Roads – Other	113,125,729	113,125,729	34,574,008
Solid Waste & Recycling	85,719,210	85,719,210	26,197,901
General Assistance	10,453,706	10,453,706	3,194,910
Social Service Programs	4,335,262	4,335,262	1,324,963
Parks & Recreation	36,127,818	36,127,818	11,041,551
Libraries	24,290,021	24,290,021	7,423,628
County Taxes	90,771,654	90,771,654	90,771,654
Debt Service	87,833,020	87,833,020	87,833,020
Other Categories	317,172,295	317,172,295	96,935,661
Total	2,160,254,684	1,975,863,050	1,317,011,591

Source: Authors' calculations.

## Effects of One-Percent Property Tax Cap

Table 12  
Hypothetical FY 04-05 Maine General Fund Appropriations

Expenditure Category	Baseline *	Hypothetical Appropriations under MMA Bill *
Department of Education & State Board of Education	\$1,916.2 (36.7%)	\$2,413.6 (46.3%)
Maine Technical College System	\$81.9 (1.6%)	\$69.5 (1.3%)
University of Maine System	\$353.6 (6.8%)	\$300.3 (5.8%)
Other Education	\$27.1 (0.5%)	\$23.0 (0.4%)
Arts, Heritage & Cultural Enrichment	\$17.8 (0.3%)	\$15.1 (0.3%)
Economic Development & Work Force Training	\$95.7 (1.8%)	\$81.3 (1.6%)
Health & Human Services	\$1,580.0 (30.3%)	\$1,341.9 (25.7%)
Transportation Safety & Development	\$7.7 (0.1%)	\$6.5 (0.1%)
Justice & Protection	\$448.0 (8.6%)	\$380.5 (7.3%)
Natural Resources Development & Protection	\$145.1 (2.8%)	\$123.2 (2.4%)
Governmental Support & Operations	\$544.4 (10.4%)	\$462.4 (8.9%)
Total	\$5,217.4	\$5,217.4

Source: State of Maine Budget Website and authors' calculations.

\* All values are in 1,000,000s.

## Effects of One-Percent Property Tax Cap

Table 13  
Hypothetical FY 04-05 Maine General Fund Appropriations under Property Tax Cap

Expenditure Category	Hypothetical Appropriations under Tax Cap *	Hypothetical Appropriations under MMA Bill and Tax Cap **, **	Hypothetical Appropriations under MMA Bill and Tax Cap *, ***
Department of Education & State Board of Education	\$1,916.2 (36.7%)	\$2,355.9 (45.2%)	\$2,355.9 (45.2%)
Maine Technical College System	\$47.8 (0.9%)	\$44.4 (0.9%)	\$36.9 (0.7%)
University of Maine System	\$206.3 (4.0%)	\$191.9 (3.7%)	\$159.2 (3.1%)
Other Education	\$15.8 (0.3%)	\$14.7 (0.3%)	\$12.2 (0.2%)
Arts, Heritage & Cultural Enrichment	\$10.4 (0.2%)	\$9.64 (0.2%)	\$8.0 (0.2%)
Economic Development & Work Force Training	\$55.8 (1.1%)	\$51.9 (1.1%)	\$43.1 (0.8%)
Health & Human Services	\$921.7 (17.7%)	\$857.2 (16.4%)	\$711.2 (13.6%)
Transportation Safety & Development	\$4.5 (0.1%)	\$4.2 (0.1%)	\$3.5 (0.1%)
Justice & Protection	\$261.4 (5.0%)	\$243.1 (4.7%)	\$201.7 (3.9%)
Natural Resources Development & Protection	\$84.7 (1.6%)	\$78.7 (1.5%)	\$65.3 (1.3%)
Governmental Support & Operations	\$317.6 (6.1%)	\$295.4 (5.7%)	\$245.1 (4.7%)
Subsidies to Municipalities	\$1,375.5 (26.4%)	\$1,070.4 (20.5%)	\$1,375.5 (26.4%)
<b>Total</b>	<b>\$5,217.4</b>	<b>\$5,217.4</b>	<b>\$5,217.4</b>

Source: State of Maine Budget Website and authors' calculations.

\* All values are in 1,000,000s.

\*\* Assumes municipalities use additional funding from the state to reduce local spending.

\*\*\* Assumes municipalities do not make any reductions in expenditures made possible by the passage of the MMA bill.

Effects of One-Percent Property Tax Cap

Table 14  
Maine General Fund Revenue, FY 2003

Revenue Source	Amount	% of Total
Individual Income Tax	1,071,701,694	44.75%
Sales and Use Tax	857,486,801	35.81%
Cigarette Tax	94,397,943	3.94%
Corporate Income Taxes	91,188,393	3.81%
Insurance Premium Tax	71,078,089	2.97%
Lottery Revenue	39,442,111	1.65%
Estate Tax	30,520,320	1.27%
Telecommunications Personal Property Tax	29,119,156	1.22%
Fines, Forfeits and Penalties	26,993,115	1.13%
Service Charges for Current Services	26,584,849	1.11%
Excise Tax - Spirits	26,073,276	1.09%
Other	30,104,443	1.26%
Total	2,394,690,190	100.00%

Source: Maine Office of Fiscal and Program Review