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COMMISSIONER

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Memorandum

To: Commissioners
From: Nick Livesay
Date: October 3, 2014
Re: Property Taxes and Tree Growth within the Unorganized and Deorganized Areas

At the upcoming Commission meeting on October 8, 2014, I will provide a brief overview of taxation within the unorganized and deorganized areas of the State, focusing on:

- A. Real and personal property taxes associated with funding services provided by the LUPC, and
- B. Tree growth.

Attached to this memo is a PowerPoint presentation that will provide a basis for my presentation and our discussion. Additionally, if you are interested in more detailed background on either of these general tax topics, I provide the following links:

- Unorganized Territory Municipal Cost Components, Fiscal Year 2014-2015 (booklet)
<http://www.maine.gov/audit/reports/2015mccreport.pdf>
- LUPC Annual Report of Funding, January 15, 2014
<http://www.maine.gov/tools/whatsnew/attach.php?id=67354&an=1>
- LUPC Funding Law (12 M.R.S. § 685-G)
<http://www.mainelegislature.org/legis/statutes/12/title12sec685-G.html>
- Unorganized Territory Educational and Services Tax Law (36 M.R.S. §§ 1601 et. seq.)
<http://www.mainelegislature.org/legis/statutes/36/title36ch115sec0.html>
- Municipal Services in Unorganized Areas Law (30-A M.R.S. §§ 7501 et. seq.)
<http://www.mainelegislature.org/legis/statutes/30-A/title30-Ach305sec0.html>
- Maine's Tree Growth Tax Law – overview by Maine Forest Service
<http://www.maine.gov/dacf/mfs/archive/woodswise/growth.html>

Property Taxes in the UT

October 8, 2014

Topics

- Municipal Cost Component of the Unorganized Territory Education and Service Fund – Unorganized Territory Tax District
- Service Fees – Towns and Plantations served by the LUPC
- Tree Growth

Unorganized Territory Tax District

- One tax district for all of the UT
- District does not include towns and plantations
- Unorganized Territory Educational and Services Tax
 - Levied annually on real and personal property in UT Tax District

UT Tax District Mill Rate

- Two basic components established by State Tax Assessor (36 M.R.S. § 1602(4)):
 - County-specific mill rate “calculated to raise the amount certified by the Legislature as the cost of county-provided services in the [UT].”
 - District-wide mill rate “calculated to raise the cost of all other portions of the municipal cost component certified by the Legislature.”
- Components added to calculate overall rate.

Municipal Cost Component

- MCC – the cost of funding services in the UT Tax District that would not be borne by the State if the District were a municipality
 - Education
 - Forest fire protection
 - Services the State funds in UT that funded locally by municipalities
 - Reimbursement by State for services a county provides to the UT (e.g., fire protection, waste mgmt., road and bridges, snow removal, law enforcement)
 - Tax Increment Financing (TIF) payment

Municipal Cost Component

- LUPC – “funding for services and activities of the commission for planning, permitting and ensuring compliance in the unorganized territories must be assessed and allocated to the [UT] through a fee equal to .014% of the most recent equalized state valuation” (12 M.R.S. § 685-G(1).)
- Collected through MCC
- FY14/15: $\$3,735,850,000 \times .014\% = \$523,019$

Municipal Cost Component (State and County Services)

Audit - Fiscal Administration	\$219,722
Education	12,022,813
Forest Fire Protection	150,000
Human Services - General Assistance	55,750
Property Tax Assessment - Operations	1,031,852
Maine Land Use Planning Commission - Operations	523,019
TOTAL STATE AGENCIES	<hr/> \$14,003,156
County Reimbursements for Services:	
Aroostook	\$1,042,847
Franklin	991,854
Hancock	320,363
Kennebec	11,831
Oxford	1,185,959
Penobscot	1,020,403
Piscataquis	990,627
Somerset	1,441,824
Washington	839,105
TOTAL COUNTY SERVICES	<hr/> \$7,844,813

Towns & Plantations Service Fee

- “[A] town or a plantation in the commission’s jurisdiction that elects not to administer land use controls at the local level but receives commission services . . . including planning, permitting and ensuring compliance, must be assessed a fee equal to .018% of the most recent equalized state valuation” (12 M.R.S. § 685-G(2).)

2014 Annual Report of Funding

Revenue Amounts Assessed and Collected for LUPC Services

Fiscal Year	A	B	C			D	E	F
	Unorganized Territory Education and Services Fund	Towns & Plantations Service Fees	LUPC Application Fees, Penalties and Sales			Total Undedicated General Fund Revenue (A+B+C3)	LUPC's Budget	Difference E-D
			C1 Unorganized Territory	C2 Towns & Plantations	C3 Total Deposits		General Fund Appropriation	
FY 2004-05	\$187,364	\$79,025	\$91,700	\$45,165	\$136,865	\$403,254	\$1,872,639	\$1,469,385
FY 2005-06	\$350,332	\$87,867	\$173,144	\$85,280	\$258,424	\$696,623	\$1,972,729	\$1,276,106
FY 2006-07	\$352,962	\$96,660	\$132,822	\$65,420	\$198,242	\$647,864	\$1,940,821	\$1,292,957
FY 2007-08	\$364,286	\$112,805	\$178,757	\$88,045	\$266,802	\$743,893	\$2,120,604	\$1,376,711
FY 2008-09	\$404,589	\$127,960	\$229,065	\$112,823	\$341,889	\$874,437	\$2,023,891	\$1,149,454
FY 2009-10	\$487,977	\$257,004	\$198,968	\$98,000	\$296,968	\$1,044,981	\$1,928,670	\$883,689
FY 2010 -11	\$525,931	\$255,213	\$148,825	\$73,302	\$222,127	\$1,003,271	\$1,790,136	\$786,478
FY 2011-12	\$534,156	\$257,787	\$122,664	\$60,417	\$183,081	\$975,024	\$1,830,488	\$855,464
FY 2012-13	\$531,811	\$258,327	\$138,620	\$68,275	\$206,895	\$997,033	\$1,629,513	\$632,480
FY 2013-14	\$528,612 (Actual)	\$258,840 (Actual)	\$160,262 (Estimate)	\$56,308 (Estimate)	\$216,570 (Estimate)	\$1,004,022 (Estimate)	\$1,739,487 (Actual)	\$735,465 (Estimate)

Tree Growth Tax Law

- Enacted in 1972
- Purpose – to help landowners maintain property as productive woodlands and support Maine's wood products industry
- Conservation benefits may be ancillary to maintenance of working forests, but not primary purpose of law

Tree Growth Enrollment Requirements

- Parcel contains at least 10 acres of forest land
- Land used primarily for growth of trees to be harvested for commercial use
- Managed according to accepted forestry practices designed to produce trees having commercial value
- Forest management and harvest plan updated every 10 years

Tree Growth

What is Forest Land?

- Land primarily for growth of trees to be harvested for commercial use
 - Area around structures not included
- Does not include ledges, marshes, open swamps, bogs, water, etc. within forest land
- Land otherwise qualifying not excluded b/c:
 - Multiple uses for public recreation
 - Statutory or govt. restrictions that prevent commercial harvesting or require other primary uses
 - Pre-1982 deed restrictions, covenants, or organizational charters preventing commercial harvest
 - Past or present multiple use for mineral extraction

Tree Growth Tax Rate & Valuation

- Classified forest land assessed at the same property tax rate applicable to other property
- State Tax Assessor determines the 100% valuation per acre for each forest type by region each year

Tree Growth Valuation Schedule - 2014

COUNTY	SOFTWOOD	MIXED WOOD	HARDWOOD
Aroostook	119.00	132.00	150.00
Franklin	290.00	230.00	234.00
Hancock	122.00	126.00	115.00
Oxford	290.00	230.00	234.00
Penobscot	122.00	126.00	115.00
Piscataquis	119.00	132.00	150.00
Somerset	119.00	132.00	150.00
Washington	122.00	126.00	115.00

Tree Growth Withdrawal

- Two way land withdrawn from tree growth:
 - By landowner if classified forest land is no longer used primarily for growth of trees to be harvested for commercial use
 - By assessor if determined that classified forest land no longer qualifies as forest land

Tree Growth Withdrawal Penalty

- Penalty = 30% of difference between the 100% tree growth valuation and the just value of the property on date of withdrawal
- After 10 years, penalty percentage reduced by 1% for each additional year, up to 20 years; for example:
 - 11 years – 29%
 - 12 years – 28%
 - 15 years – 25%
 - 20 years or more – 20%