

# MAINE STATE LEGISLATURE

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leases are being forced to buy the property at fair market value, which can be over \$100,000 because some of it is lakefront property. Actually they have 60 days to make a decision. If they chose not to buy the land, they have a year to get their property off it or sell it in some way. That means the camp itself. I don't think I'd be interested in providing additional incentives for companies. If companies want to do the right thing they can certainly do the right thing.

**THE PRESIDENT:** The pending question before the Senate is the motion by the Senator from Penobscot, Senator Perry to Accept the Majority Ought Not to Pass Report. A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

**ROLL CALL (#185)**

**YEAS:** Senators: BARTLETT, BRENNAN, BROMLEY, COWGER, DAMON, DIAMOND, GAGNON, HOBBS, MAYO, MITCHELL, NUTTING, PERRY, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS

**NAYS:** Senators: ANDREWS, BRYANT, CLUKEY, COURTNEY, DAVIS, DOW, HASTINGS, MARTIN, MILLS, NASS, RAYE, ROSEN, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK

**ABSENT:** Senator: PLOWMAN

17 Senators having voted in the affirmative and 17 Senators having voted in the negative, with 1 Senator being absent, the motion by Senator PERRY of Penobscot to **ACCEPT** the Majority **OUGHT NOT TO PASS** Report, **FAILED**.

The Minority **OUGHT TO PASS AS AMENDED** Report **ACCEPTED**.

**READ ONCE.**

Committee Amendment "A" (S-267) **READ** and **ADOPTED**.

**ASSIGNED FOR SECOND READING NEXT LEGISLATIVE DAY.**

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The Chair laid before the Senate the following Tabled and Later Today Assigned matter:

SENATE REPORTS - from the Committee on **TAXATION** on **RESOLUTION**, Proposing an Amendment to the Constitution of Maine To Change the Method of Calculating Property Values To Preserve Home Ownership in Maine

S.P. 310 L.D. 902

Majority - **Ought Not to Pass** (7 members)

Minority - **Ought To Pass as Amended by Committee Amendment "A" (S-266)** (6 members)

Tabled - May 26, 2005, by Senator PERRY of Penobscot

Pending - motion by same Senator to **ACCEPT** the Majority **OUGHT NOT TO PASS** Report

(In Senate, May 26, 2005, Reports **READ**.)

On motion by Senator COURTNEY of York, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT:** The Chair recognizes the Senator from York, Senator Courtney.

Senator COURTNEY: Thank you, Madame President, men and women of the Senate. This bill, L.D. 902, is an attempt to change the way we value property. I think if you look across the state and the increases in value, you'll find that it's driving people from their homes; it's forcing people to sell. Years ago property tax was a symbol of wealth. Today property is more of a symbol of a mortgage for people. What happens is if someone buys a home, for instance, for \$100,000 and someone decides to build a home next to them for half a million dollars, they could afford the \$100,000 home when they moved in there but they can't afford the increased assessment because of what their neighbors do. This would change the way that we value property.

Recently, I guess it's been about a year and a half ago or two years ago, the Maine Mall sold for \$265 million. If the town of South Portland had been keeping up with the equalized valuation, you would think the basis at the time of sale would have been somewhere near that figure. However, at the time of the sale, it was on the books for \$135 million, leaving approximately \$130 million in untaxed property. Clearly there is a distinct inequity with today's system. While this isn't a perfect way, this change would base it on ability to pay and it would create equality for everyone because everyone would have that basis of what they paid for their property, what they acknowledged they were willing to pay for that property, and what they could afford. Everyone would be offered that same protection.

Ladies and gentlemen, I would encourage you to take a step out. It's a bold step. It's changing the way we value property in this state. I submit to you that what we are doing now is not working. Look along the coast and look at our friends over at Peaks Island. It isn't just that. It's inland. It's low valuation communities like my own; in Sanford, where people are struggling because property values are increasing so fast that the people can't survive and they can't pay their taxes. Some will argue that you ought to sell your home and you'll get this big windfall. I would respectfully submit to those that feel that way that no one in this state should be forced to sell their home because of property taxes. There ought to be some things that are untouchable in this state. Madame President, thank you.

**THE PRESIDENT:** The Chair recognizes the Senator from Penobscot, Senator Perry.

Senator PERRY: Thank you, Madame President, ladies and gentlemen of the Senate. It's a tempting bill to consider. It really has some interesting characteristics or qualities that are worth

considering. However, this is as dramatic a change of tax policy as anything we've considered. In fact, in some communities, like South Portland, it probably would have been a good thing if it were in place. However, it does create a lot of other issues and problems, particularly for young folks starting out or trying to move into their first house, into a community. It actually creates problems for elderly folks who may be retired. They may have a big house that they've owned for years, with a very low property tax bill because their basis is so low. They may want to move out of this big house. It's too much for them. Costs too much to heat, too much upkeep on the grounds and the yard. To move into a small, three bedroom ranch house may quadruple their property tax bill because of the growth in valuations. They may have a house that they can sell for a lot of dough and can't afford to move into something smaller. It really wouldn't have that big an effect in the first few years, but over time it is going to make a dramatic shift to the folks who are starting out and buying homes for the first time. It's really such a huge shift. I don't think it is one that we need to move forward with right now. Thank you.

**THE PRESIDENT:** The Chair recognizes the Senator from Cumberland, Senator Bartlett.

Senator **BARTLETT:** Thank you, Madame President. I agree that there is a serious problem here that needs to be addressed. The problem I have with this particular approach is, as the Senator from Penobscot, Senator Perry, said we're passing a lot of cost on to new homebuyers. I spent a lot of time over the last few years talking with young people who want to return to Maine, people who would love to come back here to live, work, and raise their families. It's hard. Salaries are relatively low. The cost of living is relatively high. What this would do is impose an onerous tax burden on those people trying to come home. I would ask you to consider this bill and consider if we want our children to have the same opportunities to come back to Maine and buy a house that we had. If this passes, we will become a place you can only get to much later on in life when you have much more significant assets.

**THE PRESIDENT:** The Chair recognizes the Senator from York, Senator Courtney.

Senator **COURTNEY:** Thank you, Madame President, men and women of the Senate. I appreciate the comments because I think that this is the exact reason why we need to do something and we need to do something quickly. The longer we put off doing something, the more difficult it is going to be to do this. As for the young folks buying new homes, when you buy a home, you buy a home based on your ability to pay. The paying of the taxes based on the valuation that you can afford, which seemed to be a way to take the property tax and move it towards ability to pay. I think the elderly is a classic example of why we absolutely need to do this. We have elderly people in this state that are forced out of their homes, are forced to sell their homes and 'cash in'. I know there is not a lot of sympathy for someone with an expensive home and a lot of equity, but I think there should be some sympathy for people that have lived in this state for a long period of time. They ought to have some protection and not be forced to sell their homes. Even though they have the asset, it's only worth something when they sell it. It's not worth anything while they live in it.

The other thing to take into consideration, I honestly believe that this could be a potential windfall for valuation for communities because if you look at the average home that gets sold every 5 to 7 years, I think that you will see that the valuation base for the town will most likely increase. I can give you a classic example. Over in my old House district, over in Lebanon, I was talking to the town clerk one day. She was telling me how property values are skyrocketing. They just sold a little ranch for \$150,000. I said, 'Laura, what is that valued at on the tax rolls?' She said, 'Well, it's about \$85,000.' As in South Portland with the Maine Mall, here we are missing all that valuation. When that valuation is missed, it needs to be subsidized. I would contend that this is an alternative to the way things have been going. I think it's a good one. It has some parts of L.D. 2, which I know there was some support for. I would urge you to defeat the pending motion and move Ought to Pass. Thank you.

**THE PRESIDENT:** The Chair recognizes the Senator from Kennebec, Senator Gagnon.

Senator **GAGNON:** Thank you, Madame President. I hadn't intended to speak on this bill, but there are some concerns about what it would do, particularly to my municipality. We don't have the same typical problem that you do in other areas. First of all, just let me go back to my days in the Taxation Committee and remind people that valuations are not a problem. High valuations are a problem. Everybody loves high valuations because that means that your investment has gone up. You want to have a high valuation. It's the tax rate that is applied to that valuation that is the problem. If you artificially bring valuations down on certain properties, that is going to force the rate in that municipality in order to make up the difference. The rate that is applied to those valuations is going to have to go up. In my community the rate is just short of 30 mills. The state average is 17. The problem in my community is two-fold. For those people who are along the coast and the elder people who live there, who bought their house for maybe \$50,000 or \$70,000 and are now finding that property is worth \$200,000, in Waterville we would say, 'Wow, if we could only have that problem.' The problem in my community is the tax rate has dramatically gone up because the wealth has left the city because of a lot of exemptions, because of TIFs, because of other programs that has sent the valuation higher. It's one of those service centers that is declining. The rate has gone up. Often times people don't have the option of cashing out because when you try to cash out and say, 'Gee, I just can't afford this rate any more and I'm going to move someplace else and into a smaller community,' guess what? The market is down. You can't sell. I just think this goes at the problem. I understand the problem and I have a lot of sympathy for those who are working on this, but the problem is not the valuations, the problem is the rate. That is one of the things I liked about L.D. 1, you funnel more education money into the community and you funnel more revenue sharing in the community. When you funnel more into revenue sharing, which really goes at those higher mill rate communities, you are going at the real problem, which is the rate. After all, we all want our valuations to go up. That's why we buy a home rather than renting an apartment for 40 years. We want that investment to go up. It's not a valuation problem, necessarily. It's a rate problem. I just fear that this is going to drive the rates up because you are going to have to make up for it someplace else. I am also concerned, Madame President, about the cliff that would be

created. Now suddenly you have a home that the homeowner is paying taxes of, let's say, \$1,200 a year, basically \$100 a month. They've kept that home for 20 or 30 years and then they want to sell it. Maybe they will find a buyer, but guess what, that new buyer coming in, instead of paying \$1,200 for the year, will be paying three times that because the valuations have gone up. That is the problem when municipalities don't adjust their valuations. Keep in mind that, if in fact the city of South Portland was not adjusting the mall, they were breaking state law. The municipalities are obligated under state law to do adjustments on a regular basis. They need to be at 100% value. That's done on a regular basis in most municipalities. If that is the problem that was created in the town of South Portland then they need to be a little more aggressive in going after what the market value is of those pieces of property. I would encourage you to support the pending motion. Thank you.

**THE PRESIDENT:** The Senator from York, Senator Courtney, requests unanimous consent of the Senate to address the Senate a third time on this matter. Hearing no objection, the Senator may proceed.

Senator **COURTNEY:** Thank you, Madame President, men and women of the Senate. This will be my last time. I appreciate the comments and I appreciate the perspective of the Senator from Kennebec, Senator Gagnon, because having sat on the Taxation Committee, I know that he really understands this issue very well. He did bring up L.D. 1 and I guess I would contend that the other night I went home to a town meeting and I was somewhat surprised that L.D. 1 isn't working out quite the way that I had thought it would, especially being the Senator from the community that received more money than any other community in this state. I can pass along to my fellow members that there was no tax relief from L.D. 1 with the new money that was sent down. The entire \$4 million was spent on education and new municipal spending.

**THE PRESIDENT:** The Chair will remind you to keep your remarks to the issue at hand.

Senator **COURTNEY:** Thank you. I will do my best. Having said that, the issue that found with the valuation is that a lot of communities aren't getting the valuations. I think that is the exact case. Communities are not going after all the valuation that exists. I think if you look at Portland, for instance, there has been a real opposition to doing valuations. Granted it gets equalized when you do the state funding, but locally the shift is already very inequitable. I would just leave that and thank you, Madame President. Sorry I got a little off track there.

**THE PRESIDENT:** The pending question before the Senate is the motion by the Senator from Penobscot, Senator Perry to Accept the Majority Ought Not to Pass Report. A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

### ROLL CALL (#186)

**YEAS:** Senators: BARTLETT, BRENNAN, BRYANT, CLUKEY, COWGER, DIAMOND, DOW, GAGNON, HASTINGS, HOBBS, MARTIN, MAYO, MITCHELL, NUTTING, PERRY, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS

**NAYS:** Senators: ANDREWS, BROMLEY, COURTNEY, DAMON, DAVIS, MILLS, NASS, RAYE, ROSEN, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK

**ABSENT:** Senator: PLOWMAN

20 Senators having voted in the affirmative and 14 Senators having voted in the negative, with 1 Senator being absent, the motion by Senator **PERRY** of Penobscot to **ACCEPT** the Majority **OUGHT NOT TO PASS** Report, **PREVAILED**.

Sent down for concurrence.

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The Chair laid before the Senate the following Tabled and Later Today Assigned matter:

### Resolve

Resolve, Directing the Secretary of State To Design a Pilot Program for Early Voting

S.P. 401 L.D. 1173  
(C "A" S-225)

Tabled - May 26, 2005, by Senator **BRENNAN** of Cumberland

Pending - **FINAL PASSAGE**, in concurrence

(In Senate, May 24, 2005, **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (S-225).**)

(In House, May 25, 2005, **FINALLY PASSED.**)

On motion by Senator **BRENNAN** of Cumberland, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

### ROLL CALL (#187)

**YEAS:** Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, CLUKEY, COWGER, DAMON, DAVIS, DIAMOND, DOW, GAGNON, HASTINGS, HOBBS, MARTIN, MAYO, MITCHELL, NASS, PERRY, RAYE, ROSEN, ROTUNDO, SAVAGE, SCHNEIDER, SNOWE-MELLO, STRIMLING, SULLIVAN, WESTON, WOODCOCK, THE PRESIDENT - BETH G. EDMONDS