

Maine Revenue Services

Municipal Reimbursements under the Maine Tree Growth Program

Background

The existence of property in the tree growth program does not result in a tax revenue loss for municipalities, but rather tax shifting. A municipality needing to raise \$1,000,000 in property tax revenue will do so whether or not there is any tree growth classified property. A municipality with a significant amount of tree growth property will need to use a higher tax rate than if they did not have tree growth property to raise the \$1,000,000 in tax. In addition to tree growth reimbursement, municipalities with a significant amount of tree growth property will receive more revenue sharing and experience reduced education costs and county tax costs compared to a similar municipality without tree growth property. The revenue sharing, education cost and county tax benefits are the result of the municipality having a lower state valuation than it would have had with no tree growth property.

Reimbursement Formulas

- The purpose of the tree growth program reimbursement is to help moderate property tax rates for municipalities that experience a reduced tax base due to the mandated use of lower current use values in place of market values. The reduced valuation on forest land causes a general shift in local tax burden to non-classified property because the lower tax valuation base produces a somewhat higher property tax rate.
- Initially, the reduction in municipal revenues from classified forest land was partially offset by a state reimbursement that limited the loss to no more than 10%. The “loss” was based on the 1972 municipal full valuation of the classified forest land.
- From 1977 through 1987, the law was amended to provide municipalities with a payment for the greater of the previous reimbursement calculation or grants based on a flat amount per acre (11 cents per acre 1977-1980 and 15 cents per acre 1981-1987) of classified forest land. In 1988, the law was amended again to reimburse each municipality a flat 24 cents per classified acre with no regard to calculated tax loss. By this time, the tree growth reimbursement worked more like a municipal grant to counter the reduced valuation.
- From 1989 through 2007, the amount of reimbursement was based on 90% of the calculated tax loss arising from “lost valuation.” The determination of lost valuation was based on the lesser of the current municipal per acre value for undeveloped acreage or the per acre value for undeveloped acreage used in the state valuation compared to the tree growth value for classified forest land. Reimbursement was capped in consideration of avoided municipal education costs associated with a lower state valuation resulting from the mandated tree growth values.
- From 2008 to the present, the reimbursement is now based on a revenue sharing formula. Each municipality is entitled to a proportionate share of the municipal reimbursement appropriation based on the product of the reduced tree growth valuation of the municipality multiplied by the property tax burden of the municipality. The municipal reimbursement appropriation is determined by computing the total reimbursement municipalities would have received under the prior reimbursement formula.