Meets & Bounds

November 2013 Maine Association of Assessing Officers

President's Message

Presidents Message

I want to thank MAAO for the opportunity to serve as President for the past two years and for the beautiful plaque presented to me at MAAO's Annual Meeting. The dedication of its members has made it a great pleasure.

Still no budget or tax bills in Waldoboro but hoping the third vote will approve a budget. I have never looked forward more than this year to say the bills are in the mail. Sales are far and few so the revaluing of all properties in Waldoboro is still on hold. I trust all other towns and cities are fairing better than we are in this regard.

I want to thank those members participating in the working groups in Augusta and wish you the best as you continue the daunting task of improving our tax systems. I've enjoyed reading the list serve issues and I especially look forward to hearing from the Maine Revenue Service Employees as they share their knowledge with us.

Here's wishing everyone a happy and healthy new year as 2014 is fast approaching. Happy hunting and good luck solving all the challenges coming our way this fall.

Darryl

MAAO Meeting/Training Calendar 2013-2014

Dec. 6	10:00 a.m.	Board Meeting	MMA – Augusta
January 3	10:00 a.m.	Board Meeting	MMA – Augusta
March 7	10:00 a.m.	Board Meeting	MMA - Augusta

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Maine Association of Assessing Officers has an official page. Stop by and like our page to keep up to date on events and upcoming educational offerings.

A SUCCESSION PLAN
The Final Task of an Assessing Professional

▲ By Bob Konczal

INTRODUCTION:

The life of an assessing professional is generally guided by an annual calendar … Town meeting, April 1, commitment date, and November 1 are some of the dates on it. We can get so focused on the next one that we don't often think of the bigger picture. One big picture item is: "What will I leave behind?"

One sign of an assessing professional is that they leave behind a system that not only works, but can be readily adopted by one's successor. This article aims to set out a few ideas to help address the project.

4 ELEMENTS:

1) A Credible Valuation Model -

Since markets change over time, valuation models become outdated. The last thing a professional should do is leave a stale pricing system for one's successor. No, your ratio doesn't have to be at 99.99% with a C.O.D. of 5, but your system should be reliable, produce credible valuations, and be explainable to both taxpayer and successor alike. If you have to do a reval, or at least an update, so be it.

Action ideas- Run neighborhood sales ratio studies, and keep a list of what may be squishy. Identify options on how to make the pricing system more solid. Decide on timing and then implement. Don't wait. (We may not be Guardians of Asgard, but we are guardians of equity. If things aren't equitable, then do something about it.) Keep a list of issues you haven't addressed yet.

2) Systematic Records –

Your assessments can be ok, but your records can still look like my daughter's bedroom (only she can find anything in that jungle!). Property cards, exemptions, current use, sales info, online data, etc., must all have a place that are easily accessed and comprehended by a stranger.

Action ideas- make a list of your various record categories, write up your system, and start following it. (Digital records are generally saved according to year, then type; OR by type, then year – choose one and stick to it). Rehabilitate older records so that they can fit into your new paradigm as much as possible. For a fresh perspective, visit three other assessing offices and see how they do things.

3) An Explanatory Manual –

Your office has been humming along for years and lots of institutional memory is embedded in it. Unfortunately, your successor will know very little of it. The best way to handle this is to develop a manual of assessment. At a minimum, make sure it explains: how your valuation model works, how office processes go, who is responsible for what, contact info, computer/website material, tips on other departments in town hall, and mapping guidance. It's also great to have generalized observations on value influences for various neighborhoods. Include a special section on 'brazil nuts': unusual

(Continued on Page 3)

A Succession Plan – Continued from Page 2

or unique properties in town that must be handled in a custom fashion. You can even go all-out and include a paragraph on the history of revaluations in your town.

A doc like this is really helpful even if you aren't leaving! It can help you remember how you do infrequent stuff, and assists with consistency in your processes. And it will impress you with how much you know!

Action ideas- Start with a list of items in a temporary document on your computer's desktop. Fill in details on each item when you have a chance. Use it to capture new stuff that needs to be added to the manual later. Use the occasional slow times to round the document into shape. Eventually keep a temporary 'capture' document AND a separate destination document for your finished product.

4) Helpful Apprenticeship -

It used to be that offices could promote from within. However, towns have become a huge obstacle to this, as they seek to trim nickels and dimes of expense wherever they can. Having sufficient staffing in the office to pass the torch seems like dead weight to them. Ah, the short-term thinking!

One way to maintain good staffing is to talk with management about doing your own revaluations. The town saves money, which can be used to pay the staffing. (If you need to, you can spend a few bucks on a consultant to help you the first time around). It's a bonus that drama is reduced and local knowledge retained by keeping things in house.

In any case, a professional seeks to help others enter the field and mentors them in the process.

Action ideas- identify quality candidates, either in your office or outside. Consider using volunteers or interns on projects. Coach candidates in your office processes. Include candidate in actual activity, e.g. data entry work, photo updates, vetting sales ratio reports, listening in when you talk to a difficult taxpayer, etc. Accept that mistakes may be made (you weren't always as perfect as you are now!).

CLOSING POINTS:

Sound like a good idea? A good idea without a plan is only a daydream, so here are a few final thoughts on implementing this project …

Set an appointment with yourself within this week to begin working on this.

Create a separate folder for your Succession Project. Keep this article as a starting point, and jot down your own ideas.

Make room in your work for both 1) capturing random creative ideas that happen at any time (your temp doc) and 2) structuring them toward a final product that happens in a scheduled effort (your manual). Producing a good project is a result of this back-and-forth.

Put on your calendar a weekly appointment to chisel away on this.

When you sit down to work on it, don't expect to productive immediately. Just paw through the stuff you have already accumulated, then ideas and enthusiasm will start flowing.

It's good to remember that this kind of doc can be FOAA'd. But that's just an extra motivation to keep everything professional, right? ☺. And the best part is that once you have this sorted out, you may still stay where you are another 10 years! Seriously, I have found that working on this project has helped me review systems in my office and made me re-think some things. It's still a work in progress.

I'd be very happy to hear of additional suggestions that other assessing professionals have. ▲

LEGISLATIVE UPDATE

October 21, 2013 Meeting of the "Tax Expenditure" Task Force

Summary

(Prepared by the Maine Municipal Association)

Introductions. The meeting opened with introductions around the horseshoe. The Task Force members present were:

Senator Anne Haskell (Chair, Cumberland Cty.)

Rep. Adam Goode (Chair, Bangor)

Senator Roger Katz (Kennebec Cty.)

Merrill Barter (tax expert, Baker, Newman and Noyes)

Geoff Baur (tax expert, IDEXX laboratories)

Nelson Durgin (Mayor of Bangor, municipal budget expert)

Ryan Low (State budget expert)

Garrett Martin (economist, Maine Center for Economic Policy)

Cathy Lee (Lee International, business representative)

Mike Allen (Associate Commissioner of Maine Tax Policy for the Department of Administration and Financial Services)

Chuck Lawton (economist, Planning Decisions)

(Two members of the Task Force were absent: Rep. Don Marean (Hollis) and Lisa Miller (former State Representative, member of the general public)

This meeting included three components.

From 9:00 – 10:30 a.m., a public comment period was conducted, including testimony from six participants.

From 10:30 a.m. to approximately 1:45 p.m., the Task Force consulted with the Director of the Office of Program Evaluation and Government Accountability (OPEGA) and a representative of the PEW Charitable Trust regarding various design options for a system to systematically review tax expenditures in the years ahead to determine if they are meeting expectations.

From 1:45 – 2:30 p.m., the Task Force identified the broad categories of tax expenditures that will be subject to further review on November 4th in order to identify the $40 million in savings that is part of the assignment.

Public Commentary. The six individuals who provided comments and suggestions to the Task Force represented the Maine State Chamber of Commerce, the Maine Small Business Coalition, the Maine Municipal Association, the Maine Education Association, the Mayor of Sanford/ Mayors' Coalition, and the Maine People's Alliance. What follows is a very brief summary of each presentation.

The central point of the Maine State Chamber of Commerce was that the Task Force charge was a no-win for the business community. The elimination of any business-related tax expenditures would be negative for the state's economy. The further reduction of municipal revenue sharing would be negative to the business' exposure to property taxes.

The central theme of the Maine Small Business Coalition was that tax expenditures provided to large and wealthy national/international corporations should be scaled back or suspended. The representative for this coalition, an electrical contractor from the Boothbay area, expressed the opinion that very little was provided at a state level for the small-scale business entrepreneurs while the large corporations were provided generous tax breaks. From his perspective, those tax incentives and exemptions were unnecessary with respect to those corporations' bottom line and established an uneven playing field within the business community.

Maine Municipal Association's testimony included three suggestions. First, as a matter of process, the Task Force should focus exclusively on the task of identifying the $40 million worth of tax expenditures to repeal and set aside, for now, the task of developing a system to evaluate the integrity of tax expenditures in the years to come. Second, the Task Force should focus not only on business-related tax expenditures but also on the structural imbalance within the state's tax code. Using 2012 numbers, of the state's three major taxes, the property tax contributes 45% of the total, the income tax 34% of the total, and the sales tax just 21% of the total. The suggestion was that the Task Force take a strong look at the range of services that are provided through retail transactions that are not subject to the sales tax

Meets & Bounds publication months:

January, April, July & November

Please contact Rick Mace or a Director if you have any news for the newsletter.

LEGISLATIVE UPDATE (cont'd)

but which are commonly subjected to the sales tax in other states. Finally, the MMA testimony provided a brief review of the underlying public policy supporting the BETR and BETE programs, and suggested that none of that foundation policy supported providing tax exemptions to retail personal property, which is routinely taxed in other state jurisdictions. The suggestion to the Task Force was that it take a look at the decision made in 2006 (effective 2008) to create a lifetime BETR program instead of a 12 year BETR program and to keep the BETR door open for retail personal property in perpetuity. It was also suggested that the Task Force review the qualifying eligibility for retail personal property that remains in the BETE. The complete MMA testimony is attached to this summary.

Similar to the testimony of the Maine Small Business Coalition, the Maine Education Association suggested cut backs or eliminations of the significant tax incentives and/or tax loopholes that are provided to large corporations.

Maura Herlihy, the Mayor of Sanford, spoke on behalf of herself, her city, and the Mayors' Coalition. Maura's testimony focused on the importance of the revenue sharing program to her city and the degree to which Sanford and other service center communities provide extremely important services to the state and the state's economy as a whole by nurturing economic development and providing a range of state-level services to all constituents. Maura also spoke of the need to create more balance in the state's tax code and compared Maine's code to the New Hampshire tax code, which is even more unbalanced than Maine's and reliant on property taxes to a detrimental effect.

The Maine People's Alliance (MPA) provided suggestions to the Task Force in the areas of corporate and personal income taxation. On the corporate side, the testimony suggested taking a look at the major corporate tax incentives such as the Pine Tree Zone incentive, employment tax increment financing (ETIF), the BETR/BETE programs, etc. The MPA testimony also suggested the Task Force review a corporate income tax loophole associated with corporations' ability to park income in off-shore accounts. On the personal income tax side, the suggestion was to review the home mortgage interest deduction as it may be applied to very valuable home properties or for homes that are not really the person's primary residence. MPA's final suggestion was to steer clear of imposing broader sales tax applications to the types of services that are used disproportionally by lower income Mainers such as car repair, haircuts, etc.

Designing the ongoing review system. After closing the public hearing, the Task Force engaged in a lengthy discussion with the Director of the Office of Program Evaluation and Government Accountability (OPEGA) and a representative from the PEW charitable trust about how to design a system that would establish the regular and periodic review of all tax expenditures to make sure they are continuing to provide the economic benefits that justify their existence.

The discussion focused primarily on what entity or entities within and beyond state government would be responsible for various aspects of the expenditure review process. According to OPEGA, the functions to be per-

LEGISLATIVE UPDATE (cont'd)

formed include an oversight function, a staffing function, the actual expenditure review function, and an action (or implementation) function.

For a period of time in the discussion it seemed as though the Task Force was moving towards designing a system where OPEGA would provide the staffing and review functions, the Legislature's Government Oversight Committee would provide the review function, and the action function would be performed by the Taxation Committee and then the full Legislature.

After that construct was laid on the table, a number of concerns subsequently arose including: 1) would the core existing functions of OPEGA and the Government Oversight Committee be structurally changed given these new assignments; 2) would enough resources be allocated to OPEGA to perform these functions; 3) would a system entirely governed by the Legislature provide any opportunity for interested parties who are not within the Legislature to provide input; and 4) would such a structure allow for appropriate levels of input from the administration.

Other input from Task Force members included an interest in returning to a system in place in the 1980s and 1990s, but now discontinued, where the Taxation Committee performed nearly all the oversight-staffing-review-action functions between legislative sessions pursuant to a schedule where the entire state tax code was reviewed according to components (sales, income, property, all other).

Other input included a recommendation that the process include the expertise of existing analytical entities such as the Revenue Forecasting Committee and/or the Consensus Economic Forecasting group. The inherent difficulties of establishing a workable system to measure the effectiveness of tax expenditures without appropriating considerable additional resources to accomplish that task was also discussed. Additional concerns were expressed about the possibility of going through all the effort only to have the carefully-developed recommendations overridden by political actions.

Without reaching any firm conclusion, the Task Force asked the Director of OPEGA to distill the input that was provided during the meeting on this subject and prepare a recommended structure for the expenditure review process which the Task Force could consider at a later meeting.

Categories for the $40 million review. Toward the end of the meeting the Task Force focused on its assignment to identify $40 million worth of tax expenditures for repeal. The next Task Force meeting on November 4th will apparently be focused on that task, so members were asked to identify which broad categories of tax expenditures should be made subject to that review and, alternatively, which broad categories of tax expenditures should be excluded from that review.

After discussion, the list of tax expenditure categories that should be made subject to further Task Force consideration included:

- business-related tax expenditures,
- the many categories of services that are provided at the retail level that are currently excluded from taxation, and
- the BETR and BETE property tax based tax incentives.

The various categories of tax expenditures that the Task Force will likely exclude from further scrutiny include:

- the "necessities of life" tax expenditures,
- tax expenditures that are designed to avoid a "pyramiding" of tax applications,
- tax expenditures that are related to the issue of "conformity" (i.e., designed to conform Maine's income tax code to the federal code), and
- property tax exemptions at the local level other than the BETE exemption.

With respect to the issues of locally tax exempt institutions and the BETR/BETE programs, Task Force members repeatedly requested that they be kept informed about the work of the Nonprofit Tax Task Force and the BETR-to-BETE Conversion Task Force for the purposes of coordinating the efforts of the three Task Forces and avoiding conflicting recommendations.

The Task Force also discussed its disappointment in not being able to interact directly with the Commissioner of

the Department of Economic and Community Development or a designee. Thus far, DECD has not attended a Task Force meeting and agreed only to answer questions in writing.

On the subject of DECD, one Task Force member made the point that the state agency has entered into a $400,000 contract with a private entity to analyze the effectiveness of the state's economic development programs, including the various tax incentive systems. That analysis will not be available until next February or March, and the suggestion was that the Task Force seek a delay in making its tax expenditure recommendations until that analysis is available for review. ▲

BETR to BETE

The following document was sent to the BETR to BETE Task Force members by Dave Ledew. As Dave has stated in his letter that this is just one proposal for the transition from BETR to BETE.

Dear Task Force Members:

In our last meeting, I was asked to develop proposals for the Task Force to consider at our next meeting, November 12th. I have attached for your consideration a proposal to transition BETR to BETE over a four (4) year period beginning April 1, 2015. This is but one proposal, but as I have set it up, I think it will be a good starting point and framework for us to work from.

November 1, 2013

To: BETR to BETE Task Force Members
From: David Ledew
Subject: Third meeting

The primary focus of the BETR to BETE Task Force is to review options for transitioning business equipment covered under the BETR program to the BETE program, and to consider the financial impact of those options on BETR program recipients, municipal budgets, the state budget and the larger impact to business investment in the state.

The Task Force is to consider the timing issues related to the transition and attempt to include efficiencies in the transition and administration of the change. The Task Force is to identify costs and benefits associated with each option and prioritize the options for legislative consideration.

In our first two meeting we have laid the groundwork concerning the proposed budget language impact of the conversion of BETR to BETE to businesses (loss of up to 18 months of BETR reimbursement) and the direct and indirect impact on municipalities for the discussion of the conversion of BETR to BETE (loss in taxable base value plus the State Valuation (SV) would not fully recognize the loss for up to 5 years).

The task force requested that I put some options out for the members to consider at our next meeting. In order to better understand the timelines, I have attached a spreadsheet to help illustrate the timelines.

Initially the BETR program ran for 12 years with qualified property first being taxed in 1996 through 2007 being entitled to reimbursement. Commencing with 2008, new property that formerly would have qualified for BETR now qualified for BETE with the exception of most retail and service property which continued to qualify for BETR. Excluding retail and service property from the discussion, our task is how to best transition the BETR qualified equipment which was first taxed between 1996 and 2007 to BETE exempt status.

As an example of how that might be done, I would offer the following proposal as one way we might consider.

BETR to BETE (cont'd)

Proposal: Transition BETR qualified property to BETE over a 4 year period.

1. Beginning April 1, 2015, property that was first placed in service from April 2, 1995 (first taxed April 1, 1996) through April 1, 1998 (first taxed in 1998) would now qualify for BETE. BETR qualified property first taxed for April 1999 through 2007 would continue in BETR and would be reimbursed at 80%.
2. Beginning April 1, 2016, property that was first taxed April 1, 1999 through April 1, 2001 would now qualify for BETE. BETR qualified property first taxed for April 2002 through 2007 would continue in BETR and would be reimbursed at 80%.
3. Beginning April 1, 2017, property that was first taxed April 1, 2002 through April 1, 2004 would now qualify for BETE. BETR qualified property first taxed for April 2005 through 2007 would continue in BETR and would be reimbursed at 80%.
4. Beginning April 1, 2018, property that was first taxed April 1, 2005 through April 1, 2007 would now qualify for BETE. At this point, all 12 years of the initial BETR program would be transitioned to the BETE program.

To illustrate how this would work, I have attached a spreadsheet which shows the first 3 year of BETR qualified property (highlighted in yellow) being moved to the BETE program for 2015, the second three years of BETR property (highlighted in green) being moved to the BETE program for 2016, the third three years of BETR property (highlighted in blue) being moved to the BETE program for 2017, the fourth three years of BETR property (highlighted in orange) being moved to the BETE program for 2018.

Addressing the oldest years of BETR qualified property first recognizes those assets that have typically been significantly depreciated by the municipalities and would therefore lessen the financial impact on them.

The second leg of this proposal might be language that would lessen the long term effects of BETR valuation in SV. Recently enacted language impacting school funding could be further amended as follows:

20-A MRSA §15672, sub-§23

23. Property fiscal capacity. "Property fiscal capacity" means:

A. Prior to fiscal year 2014-15, the certified state valuation for the year prior to the most recently certified state valuation;

B. For fiscal year 2014-15, the *lesser of the most recently certified state valuation and the* average of the certified state valuations for the 2 most recent years prior to the most recently certified state valuation; and

C. For fiscal year 2015-16 and each subsequent fiscal year, the *lesser of the most recently certified state valuation and the* average of the certified state valuations for the 3 most recent years prior to the most recently certified state valuation.
(Please note this is my attempt to address this section. Any formal drafting would be occur with the review of DoE before finalizing)

This change would have a positive effect on school subsidies for those municipalities that would see a decrease in SV because of the loss in value associated with the conversion of BETR to BETE and would recognize the loss one year sooner for education subsidy than current law provides.

The third leg of this proposal would involve the Sudden and Severe valuation loss law. Language could be

BETR to BETE (cont'd)

developed that would allow municipalities to file for a Sudden and Severe (S & S) adjustment to SV when the loss in value is attributable to the conversion of BETR to BETE when that loss exceeds a certain percentage (say 1%) of the municipal valuation. For purposes of S & S, losses attributable to the BETR to BETE conversion could also be exempted from the requirement for the municipality to provide an appraisal. This leg of the proposal would allow the reduction in SV to be recognized one year sooner for revenue Sharing purpose and 2 years sooner for education subsidy purposes.

The proposal I have outlined above is as much an example of what we could propose as it is a proposal. The BETR to BETE conversion could be accelerated to 1 to 3 years or it could be stretched out further. Coupling whatever proposal we wish to put forth to both the education funding formula and the S & S law would be considered reasonable accommodations to lessen the long term impacts to these subsidies. ▲

BETR and BETE Timelines

MRS October 30, 2013

Calendar Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
*BETR: Initial Program Timeline (Most Equipment)	1	2	3	4	5	6	7	8	9	10	11	12											
**BETR: Current Program Timeline (Retail and Service only)													13	14	15	16	17	18	19	20	21	22	23
***BETE Program (Non Retail and Service)													1	2	3	4	5	6	7	8	9	10	11
BETR Reimbursement Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	90%	100%	100%	100%	90%	100%	100%	90%	80%	*80%*	*80%*	*80%*		

100% of taxes for the first 12 years reimbursement is claimed for specific property (except 90% for taxes paid in calendar year 2005, 2009 and 2012, 80% for taxes paid in calendar year 2013), 75% for the 13th year reduced annually by 5% until 50% reimbursement in the 18th year and thereafter.

* BETR: Initial Program included property placed in service *after* April 1, 1995 (first taxed for April 1, 1996) and included most machinery and equipment including retail and service property

** BETR: Current Program which includes all equipment included in the initial BETR Program plus Retail and Service property placed in service after April 1, 2007. After BETR equipment has been in the program 12 years, reimbursement is reduced to 75% in year 13, 70% in year 14 down to 50% in year 17 and thereafter

*** Current BETE program which includes non-retail and service property placed **after** April 1, 2007

Proposed year(s) of conversion of BETR qualified property to BETE	1996 1997 1998	1999 2000 2001	2002 2003 2004	2005 2006 2007
	Moved to BETE April 1, 2015	Moved to BETE April 1, 2016	Moved to BETE April 1, 2017	Moved to BETE April 1, 2018

2013 MAAO Annual Conference:
Sebasco Harbor Resort, Sebasco Estates, Maine • September 11-13, 2013












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Membership Questions?

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MAAO Secretary's Report

▲ By Tammy Brown

The MAAO Board would like to once again congratulate Paul Mateosian, on being the Maine Association of Assessing Officer's first Assessor of the Year. Please consider nominating an assessor to recognize their professional and dedicated service to his/her profession and community. The award will once again be given out at the 2014 MAAO Annual Meeting.

The Board met on September 13, 2013 as a wrap up of the Annual Fall Conference. At that meeting the board discussed the educational offerings, speakers, location, evaluation forms, food as well as the evening activities. The Board would like to extend our sincere thank you to those attendees and vendors who took the time to fill out the evaluation forms. The evaluation forms will help us to prepare for the upcoming 2014 Annual Fall Conference. The sign in sheets for each day of the Fall Conference have been transferred to Maine Revenue Service so that they can record the credit hours for each attendee.

The MAAO Board continues to strive to offer educational classes that are timely and current to the present day situations. We were very happy to see that the Assessing 101 session was so well attended. This session came from a conversation with a MAAO member. It is feedback like this that alerts us to the needs of the membership. It is safe to say that all sessions were well attended due to the quality speakers Bill Healey was able to bring on board for this years conference. Thank you, Bill. If there is a topic that you feel would be beneficial to our organization, please let a board member know.

The next MAAO Board Meeting will be held on December 6th at MMA in Augusta at 10:00. If you have anything you would like the board to take up, please contact any board member.

Bundle up if your working outside…..it's getting cold out there. ▲

Meets & Bounds

MAAO NOVEMBER 2013 NEWSLETTER

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