

The Maine Land Bank and Community Preservation Program



Introduction

Although this program has come to be known as the “Chebeague Plan,” that name merely reflects the humble place of origin of an idea that has the potential to benefit **all of Maine**, north and south, urban and rural, business and residential.

The problem

- For many Maine citizens (including seasonal residents, business owners and fishermen), rapid increases in property valuations are resulting in taxes which are beyond their means.
- Despite the temptation to “cash out,” many people do not see their properties as “investments” and wish to keep their land and pass their legacies on to future generations.
- When people move, willingly or otherwise, the community loses its character and becomes faceless. In the case of small, isolated areas, the very survival of the community is threatened.

The solution

- A combination of Limited Market Value (currently in place in thirteen other states) and Maine’s agricultural and open space tax law.
- A base value will be established equal to the five year prior assessment adjusted to 100% using the state certified ratio. For recently purchased land, the purchase price will be used.
- Increases in property assessment will be limited to two percent (2%) per year or to the increase in the consumer price index, whichever is smaller.
- Decreases in property assessment could happen at any time.
- If circumstances change and an owner chooses to sell land banked property, a significant penalty will have to be paid before the property can pass with clear title.
- Land will remain in the program if transferred or sold to a direct relative or bequeathed to anyone. There will be no recapture penalty as long as the land remains banked.

The advantages

- People will be protected from property taxes that threaten to evict them from their homes and/or cripple their small businesses.
- Community stability will result, preserving the character and traditions of our cities and towns.
- There is no cost to the state and little, if any, cost to the municipalities and other taxpayers.
- Tax burdens are not shifted to other regions of the state.
- The program is completely voluntary and participants assume the risk that their plans might change (either willingly or otherwise), thus incurring significant penalties.
- The program is inclusionary, benefiting all regions and all classifications of landowners.
- Among the beneficiaries are small businesses including many shore-based fishermen.
- Building valuations will continue using present resale value methods.
- By encouraging land use preservation, this program inhibits sprawl and the accompanying rising municipal costs.
- The program reduces the “brain drain” exodus of youth leaving the state.
- This program could reduce the State’s expenditures in the circuit breaker program.
- The State could save money by replacing the homestead exemption for program properties.

How the program works

- The key to the Maine Land Bank Program is the ratio of recapture penalties to tax relief.
- A ratio of 16 to 1 ensures that the program is self-funding.
- Recapture penalties and accompanying increased sales price values for withdrawn land act to reduce the municipality's mill rate.
- Rather than shift the tax burden to other sectors of the population, the program funds itself with revenues from participants who voluntarily withdraw from the program.

Answering the critics

- "Too much paperwork" – probably insignificant and a small price to pay for the benefits.
- "Open to litigation" – care must be taken to ensure that people understand the implications of their decision to join the program and the potentially significant reduction of land sale profits.
- "Few will join the program" – desire to own land for the long term is not isolated to areas of Maine where current demand for land is high. Even if program participation is low, it will be well worth the effort to assist distressed taxpayers and to preserve fragile communities.
- "Few will leave the program" – experience with Tree Growth indicates an estimated annual withdrawal rate of 5%, which is sufficient to support the program.
- "A tax break for the rich" – the program is a good investment only for those with a long-term commitment to land ownership. It is these people, rich and poor, who contribute the most to the stability and continuity of Maine's communities and make them desirable.
- "Doesn't do enough" – The Land Bank Program stands alone to solve a singular problem, but it has the potential to co-exist very well with other tax reform measures.

Making it happen: Next steps

- Framework exists in Maine's Constitution, Article IX, Section 8. Allows alternate assessment methods for agricultural/farmland, wildlife sanctuaries and open space land.
- A fourth category needs to be added to accommodate "lands used for long term ownership."
- Constitutional amendment requires passage by two-thirds of the House and Senate and approval by Maine's voters.
- Legislation must then be passed establishing the Maine Land Bank Program and defining conditions for its implementation.
- Rules must then be drafted defining its operation.

Summary

The Maine Land Bank Program provides what many municipalities have been seeking – a way to give long-term residents a break on their taxes without significantly raising taxes for anybody else. It provides stability for the community and, in fact, helps the community itself to survive. The Land Bank Program encourages Maine's youth to stay in Maine, stay in their family homes, and stay in Maine's business sector. The program even discourages sprawl. This is legislation which needs to be passed and passed soon. It's good for Maine residents and their communities, it's good for Maine's businesses and it's good for the State of Maine.

For more information...

...or if you would like to assist in passing this legislation, please call David R. Hill at (207) 846-4664 or send e-mail to davehill@MaineLandBank.org. Or visit our website at www.MaineLandBank.org, with an interactive Excel spreadsheet providing "what-if" analysis of the program. We will also give PowerPoint presentations to municipalities and organizations describing the Land Bank and its operation.