



**Review of Requests for Adjustment of Equalized Valuation for
2014**

**A Report Prepared for the
Joint Standing Committee on Taxation
Pursuant to 36 M.R.S.A. § 208-A(6)**

**Department of Administrative and Financial Services
Maine Revenue Services**

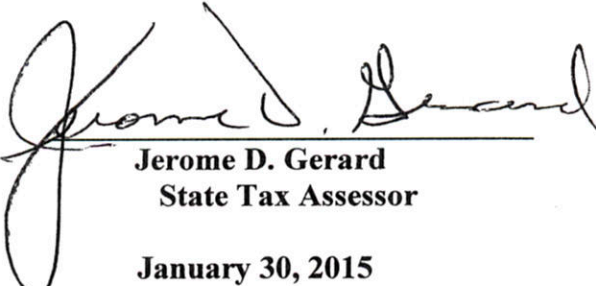

**Jerome D. Gerard
State Tax Assessor**
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I. Introduction

Every year, Maine Revenue Services calculates the fair market value of all taxable property in the state. This state valuation is then used to determine the amount of state payments to municipalities under the municipal revenue sharing and education funding requirements. The state payment amounts are calculated using an average of previous years' state valuations, going back as many as three years.

Occasionally, a municipality experiences a significant, unpredicted loss in its overall property valuation. If this loss is due to an event involving a single entity, such as the business closing or losing part of its operations after a natural disaster, the municipality may be eligible for some monetary assistance from the State. Rather than wait for the next year's lower state valuation to gradually affect the State payments to that municipality, 36 M.R.S. § 208-A allows the State Tax Assessor ("Assessor") to direct the State Treasurer and the Commissioner of Education to apply the lower, post-loss valuation to previous years for calculating the current municipal revenue sharing and education funding. The lower valuation increases revenue sent from the State to the municipality, helping the municipality weather the loss in local property tax revenue due to the sudden and severe event.

36 M.R.S. § 208-A requires that the State Tax Assessor provide an annual report to the Legislature, outlining the requests for state valuation adjustment from each municipality during the prior year. The report must include the determination of the State Tax Assessor regarding each request and the amount of any subsequent payments made by the Commissioner of Education under 36 M.R.S. § 208-A(5)(A). For property tax years beginning on or after April 1, 2013, section 208-A (5)(A) no longer requires the Commissioner of Education to make a payment to the municipality for the current fiscal year.¹ This report pertains to those municipalities that filed claims during calendar year 2014.

II. Adjustment for Sudden and Severe Disruption of Valuation Overview

A municipality experiences a sudden and severe disruption in its equalized municipal valuation when the Assessor determines that:

A. The municipality experiences a net reduction in valuation of at least 2% from the valuation that would apply without adjustment;

B. The net reduction is attributable to the cessation of business operations, removal, functional or economic obsolescence not due to short-term market volatility or destruction of or damage to property resulting from disaster attributable to a single taxpayer that occurred in or was not reasonably determinable until the prior tax year; and

¹ P. L. 2013, ch. 368. (See chapter 368, section O-11, for retroactive application to property tax years beginning on or after April 1, 2013).

C. The municipality's equalized tax rate exceeds the state average.

If a municipality meets all three of the above requirements, they may submit an application with the Assessor requesting a sudden and severe valuation adjustment. If the Assessor determines that the municipality qualifies, the Assessor will calculate the adjustment by determining the amount by which the state valuation determined under §208-A would be reduced as a result of the net sudden and severe disruption of equalized valuation. The Assessor may limit the time period or amount of adjustment to reflect the circumstances of the sudden and severe loss of valuation. Finally, the Assessor must notify the Commissioner of Education and the Treasurer of State of the amount and timing of the adjustment.

An application requesting adjustment must contain an "appraisal report prepared by a qualified professional appraiser with respect to the property responsible for the loss that shows the value of the property immediately prior to the loss and the value of the property following the loss." 36 M.R.S. § 208-A(3)(A).

If an adjustment application is approved, the Commissioner of Education and the Treasurer of State will use the adjusted valuation for calculating the education funding and revenue sharing amounts distributed to the municipality for the following fiscal year.

If an adjustment is denied, the Assessor will send written notification to the municipality and, within 30 days, provide the Joint Committee on Taxation with a copy of the notification. This notification constitutes final agency action, subject to review by the Superior Court.

III. Sudden and Severe Disruption Filings for 2014

Maine Revenue Services did not receive any requests for adjustment of valuation under 36 M.R.S. § 208-A during 2014.