

Board of Directors

NEWS RELEASE

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MAINE SHOULD BUILD ON ITS STRENGTHS IN ADDRESSING FISCAL AND ECONOMIC CHALLENGES, EXPERT ADVISES

Maine should both strengthen existing methods of providing property-tax relief and promote economic growth through investments in areas like tourism and higher education, according to Iris Lav, deputy director of the Washington, DC-based Center on Budget and Policy Priorities, in a speech today at "Prosperity Maine," a forum hosted by the Maine Center for Economic Policy.

Lav, a national expert on state fiscal policy, discussed two major challenges facing Maine: public discontent with the state's property tax, and the relatively low incomes of Maine residents. Lav proposed a number of policy responses, while cautioning against certain other policies that only exacerbate these challenges.

"Maine has a number of things going for it, including relatively strong public services and a fiscally responsible government. The state's policy of providing businesses with costly special tax breaks works against those strengths, and the proposal to cap property value assessments would be harmful as well," Lav said.

Proposed "Valuation Cap" Would Worsen Discontent with Property Tax

Because of problems in the way property is assessed in Maine, some properties are valued at much closer to their true market value than other properties are, Lav explained, and infrequent reassessment can lead to large jumps in tax bills. This has created the perception that the state's property tax is unfair.

Any proposed property "valuation cap," which would limit the allowable increase in a property's value each year, would simply lock in the inequities in the current system. Instead, Maine should improve the process by which property values are assessed.

Lav also advised Maine to greatly expand efforts to ensure that more eligible residents file for property tax relief under the state program that provides rebates to families whose property taxes exceed a set percentage of their income. Fewer than half of eligible residents claimed the rebate last year.

"More than 130,000 Maine residents are failing to get the property tax relief that is intended for them. Seeing that more of them get it should be one of the state's top priorities in this area," Lav said. She recommended a variety of outreach techniques to increase awareness of the state program, which is one of the nation's most generous.

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Special-Interest Tax Breaks Not the Key to Long-Term Economic Health

Lav discussed a second challenge facing Maine: low incomes, both in comparison to national averages and to other northeastern states. Lav highlighted a range of policies that would assist with income growth, while warning the state about false solutions, such as special tax cuts for business.

“No state can cut its way to greater prosperity,” said Lav. “Hundreds of studies show that tax cuts are unlikely to stimulate economic activity and create jobs in a cost-effective manner, and some studies show no improvement whatsoever.”

For example, the ten biggest beneficiaries of Maine’s Tax Increment Financing program received nearly \$20 million in tax breaks in 2004, yet only one of the top ten recipients created jobs that year. The result of the TIF program was a net *loss* of 769 jobs for Maine.

Instead, Lav urged the state to invest in higher education, tourism, technology research and development, and infrastructure.

“Quality higher education is often at the top of business leaders’ lists of what makes a good business climate,” noted Lav. “Also, by investing in its tourism industry, Maine can capitalize on one of its major strengths, its natural beauty. These kinds of investments are in Maine’s long-term interest — they will foster sustained economic growth and lead to higher incomes for Maine workers.”

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