



**Maine Municipal Tax Collectors' and
Treasurers' Association
Legislative Committee Report
April 14, 2009**

To: MMTCTA Executive Board
From: David Little, Legislative Committee Chair

The Taxation Committee has recently reviewed 5 LD's related to excise tax.

L.D. 974 - An Act To Decrease the Automobile Excise Tax and Promote Energy Efficiency (Citizen's Initiative) – This bill would change the mill rates for excise tax to 12 for the first year, 8 for the second year and 4 for every year thereafter. It also would exempt all hybrid-electric, fuel-celled or hydrogen fueled vehicles that also get 40 miles to the gallon from any excise tax for the first three years. After that they would be at 4 mills.

L.D. 195 - An Act To Base the Excise Tax on Vehicles on a Percentage of the Manufacturer's Suggested Retail Price - This bill leaves the current law pretty much as is except for using an "adjusted" MSRP. The "adjusted" MSRP would be 90% of the actual MSRP. All mill rates stay the same.

L.D. 381 - An Act To Base the Motor Vehicle Excise Tax on the Documented Actual Sale Price Rather than on the Maker's List Price – This bill would require excise tax, at the current mill rates, to be charged against the original purchase price of the vehicle. The purchase price is obtained from the original bill of sale or the original sales tax form from the dealership the first time the vehicle was sold.

L.D. 459 – An Act To Provide Tax Relief for Maine Residents Deployed for Military Service – This bill would allow a municipality, at their discretion, to exempt from the motor vehicle excise tax vehicles owned by residents of Maine who are deployed for military service, either in the National Guard, the Reserves or the Armed Forces of the United States, for a period of more than 30 days.

L.D. 588 – An Act to Amend the Excise Tax on Motor Vehicles To Reflect Depreciation – This bill would change the mill rate for all years to 20 but depreciate the MSRP over the six year period. For a new vehicle the MSRP would be 95%, for the second year it would be 90%, the third year would be 85%, the fourth year would be 70%, the fifth year would be 50% and the six and succeeding years would be at 15%. Again the mill rate applied to these percentages would be 20 for all years.

The public hearing for these LDs was standing room only. The Committee adjourned after about five and a half hours of testimony. The bulk of that testimony was regarding the Citizens initiative. Surprisingly there were some municipal officials that supported the Citizens initiative.

At the request of the Committee I also attended and testified at the work session regarding these LDs. The Committee killed LD 459 and LD 381. LD 195 and LD 588 were carried over. LD 974, the citizen's initiative, was tabled until and on April 7th was voted "ought not to pass". This vote will put the question on the State-wide ballot in November. The two carried over bills are backup plans by the Committee if the initiative fails in November. They feel that excise tax is the most hated and despised tax in Maine and that something must be done.

All municipalities need to start thinking about how to get the word out to their citizens. I think one of the biggest factors we should focus on is that the lowest mill rate will not see a savings. That is 65% of the vehicles in Bangor and if you factor in the fifth rate people who will be at step six by the time this goes into effect then you're looking at around 70% of currently registered vehicles.

I also provided the Committee with information on charging a weight based fee or tax as opposed to the tax on MSRP. Based on the information I found using our database a weight based fee would not be feasible. While it could be structured to have little or no financial impact on our revenues it would be a monetary shift giving the biggest break to those individuals with more expensive vehicles. My work session information is attached.

The Committee also was surprised to hear that non-profit entities do not pay excise tax. They expressed the possibility of modifying the definition of a charitable organization. This definition would be most likely tied to payroll. Basically the concern was at what level of salary paid to officers would make the organization no longer charitable. If possible we may want to try and gather information as to how many exempt vehicles we process.

**Work Session Information per Request in Regards to LD 974 and Related Excise
Tax Bills**

April 1, 2009

LD 974 – An Act to Decrease the Automobile Excise Tax and Promote Energy Efficiency

LD 195 – An Act to Base the Excise Tax on Vehicles on a Percentage of the Manufacturer's Suggested Retail Price

LD 381 – An Act to Base the Motor Vehicle Excise Tax on the Documented Actual Sale Price Rather than on the Maker's List Price

LD 459 – An Act to Provide Tax Relief for Maine Residents Deployed for Military Services

LD 588 – An Act to Amend the Excise Tax on motor Vehicles to Reflect Depreciation

Senator Perry, Representative Watson, members of the Taxation Committee, my name is David Little, I am the Tax Collector/Deputy Treasurer for the City of Bangor and I also represent the Maine Municipal Tax Collectors' and Treasurers' Association. The following information is being provided for the work session on the above bills per the request of Representative Pilon.

During the Public Hearing on the above bills many ideas were discussed in relation to how excise tax could possibly be modified or recalculated. Representative Pilon discussed a fee based upon the vehicle's weight. Although I had reservations that such a process would be feasible, I felt a review of our motor vehicle database should be performed before making a final decision.

The results of that review are as follows:

I extracted approximately 22,500 records from the City of Bangor database. These records represent 81% of the total excise tax collections for Bangor. Transactions such as transfers, corrections, and duplicates were not included in the tested data.

Approximately 3,000 of the records pulled for testing did not pay any excise tax. These would be non-excisable trailer registrations and exempt registrants. Exempt registrations represent 13% of total motor vehicle transactions.

Of the remaining 19,500 records the average excise tax paid was \$190.85. This ranges from a low of \$5.00 for a 1923 Model T to a high of \$7,091 for a year old Motor Coach bus.

The average MSRP for these vehicles was \$23,554. This ranges from a low of \$399 for a moped to a high of \$405,200 for the Motor Coach bus mentioned above.

A total of 65% of the records are currently at the lowest mill rate. The following table shows the complete breakdown by mill rate.

| Mill Rate | Percent of Total | Average Excise Tax | Number of Vehicles |
|-----------|------------------|--------------------|--------------------|
| 1 | 8% | 616.12 | 1486 |
| 2 | 7% | 480.81 | 1334 |
| 3 | 7% | 361.97 | 1308 |
| 4 | 7% | 263.36 | 1338 |
| 5 | 7% | 169.46 | 1332 |
| 6 | 65% | 87.75 | 12717 |
| | 1.01 | | 19515 |

Not knowing exactly what Representative Pilon intended in regards to charging a fee based on weight several assumptions were made gathering the following data.

The first obstacle was that vehicle weight data is not required to be captured for all vehicles. Of the 22,500 records pulled, only 3,395 or 15% had vehicle weight information. The remaining 85% were given a weight based upon the current weight schedule used to register commercial vehicles. The assumption was made that the weight would not be the actual vehicle weight but mirror this current weight schedule. Currently the lowest weight category is 2,000 lbs for trailers. A trailer is either under or over this 2,000 lbs benchmark. The lowest passenger vehicle weight would be 6,000 lbs and then the scale increases at 30 different intervals until reaching a maximum of 100,000 lbs or more.

The majority of the vehicles without a current weight were considered passenger vehicles and given the 6,000 lbs class. Any commercial or larger vehicle found without a weight was given the maximum 100,000 lbs class.

The next assumption was that the fee would follow the same rate structure as the current registration fees. Therefore all 6,000 lbs vehicles were charged \$35.00 and the fee scaled up from there to a high of \$1,234 for the 100,000 lbs vehicles. The assumption was also made that all vehicles would pay this "fee" including all trailers and exempt registrants.

Charging the fees of \$35.00 to \$1,234 to all 22,500 vehicles the result ended up being a revenue loss of 69%. Approximately 93% of the vehicles would be at the 6,000 lbs rate.

To bring the revenue loss to approximately 3% the minimum charge would have to \$150.00. If all currently exempt transactions remain exempt the minimum charge would increase to \$175.00 to maintain the 3% revenue loss.

A weight based charge would require administrative changes to both local and State systems to capture and track vehicle weights. In addition, I think it would be a tough sell to the taxpayer who currently pays \$5.00 in excise to see a jump to \$150.00 or \$175.00 or to the owner of a large older vehicle who currently pays \$200-300 versus the jump to \$1,234.

I searched the internet and reviewed the report issued by the Excise Tax Study Group, of which I was a member, and did not find a State that issues an "excise" based upon weight. I saw that some States have a weight scale for commercial vehicles similar to the scale Maine currently uses but not strictly a weight based fee. Perhaps with additional information from Representative Pilon or more time for a group to establish a more "creative" weight schedule this may be a viable alternative. However, based on the information and the assumptions made in this memo a weight based fee is not something the City of Bangor or the Maine Municipal Tax Collectors' and Treasurers' Association would support or recommend.