March 1, 2018

Dear Member of the 128th Maine Legislature,

On behalf of our 900+ member nonprofit organizations and 150+ corporate supporters from across Maine of all sizes and mission areas, we reach out to you in response to the Governor’s memo dated February 13, 2018. In that memo, he criticized Maine nonprofits, including land trusts, and questioned the manner in which they benefit Maine’s communities. Here’s some additional information that we hope you find helpful.

Nonprofits earn their property tax exemption
Nonprofits provide valuable services and benefits to their communities and the state as a whole. They serve primarily the communities in which they are located and are among the critical economic engines of many communities. We make our communities more desirable places to live and raise a family. As government at all levels faces fiscal challenges, municipalities look to nonprofits more than ever to help provide essential community services. Because many of these services, if not provided by nonprofits, would fall to the responsibility of the government, nonprofits relieve some of the burden of government. We earn our property tax exemption.

Nonprofits work for Maine
One in six Maine workers works for a nonprofit. We’re a key partner in keeping Maine’s economy strong. Maine nonprofits contribute approximately $11 billion dollars per year to the economy through wages paid, retail and wholesale purchases and professional service contracts. This group of vibrant nonprofit organizations invests significant financial and organizational resources in their communities and mobilizes over 345,000 volunteers annually – volunteers who donate almost $935 million in time and resources to their communities (see our Adding Up Impact report).

Maine nonprofits are important community partners
Across the state, municipalities and counties provide important services, such as fire and police protection, sanitation services, and general infrastructure, to their communities. Nonprofits also provide important services, such as job training, housing, mental health services, transportation, conservation, and arts, culture, and other enrichment opportunities, to municipalities.

Many pay some form of property taxes despite earning the exemption
Even though they have earned an exemption, many nonprofits pay some form of property taxes. Some pay current use taxes such as Tree Growth or Open Space.
Others choose to pay taxes on some of their buildings. And others choose to make payments in lieu of taxes (PILOTS). These are conversations that happen within each community and are unique to each community.

Land trusts are different from other nonprofits in that they own land and not generally buildings. Nearly all land trusts pay some form of property tax. The Land Trust Network’s informative study, Land Trusts Work for Maine, points out that 94.5% of land trust conserved lands are on the tax rolls. Land trust pay property taxes or payments in lieu of taxes. Land trust lands comprise .33% of the value of all tax exempt municipal land in Maine.

**Data in the memo is taken out of context and is misleading**
The February 13 memo points out that the value of tax exempt property has risen between 1996 and 2016, from $10 billion to $18 billion. In fact, all land values have increased during this time period. The missing corresponding information is that the value of nonexempt property has risen from $59.5 billion in 1996 to $150.5 billion in 2016. Taxable property values have risen at a faster rate than tax exempt property values in Maine. The memo implies that nonprofits are increasingly growing their percentage of the land value in Maine when, in fact, this percentage has decreased between 1996 and 2016. In 1996, exempt land represented 14% of total land values. In 2016, it represented 11%.

**Maine’s Legislature has already addressed these issues**
This legislature has already addressed the issue of the nonprofit property tax exemption in multiple ways and at multiple times and has rejected such proposals. This is consistent with the manner in which past Maine legislatures have approached this issue. (See the attached legislative history.)

Furthermore, this Legislature, in response to the Governor’s interest in taxing land trusts, conducted a study led by the Agriculture, Conservation and Forestry (ACF) Committee. In the report, you’ll find that the committee is not recommending that land trusts be taxed and instead highlight the contributions they make to their communities. “The ACF Committee recognizes that there is need for land trusts as they are providing a service to the people of the State that the government would otherwise have to provide. Nonprofit conservation organizations throughout Maine are private entities that are providing recreational opportunities, such as hunting, fishing, snowmobiling, and exploring Maine’s natural beauty. Nonprofit conservation organizations partner with schools and other entities to provide programs for students and senior citizens and also play an important role in protecting water quality and other valuable natural resources. For these reasons, the ACF Committee finds that land trust organizations provide a great value to the people of Maine.” Executive Summary.

As the ACF Committee discussed, the committee’s report recommends that the Taxation Committee review the current use tax programs. The Taxation Committee has recently reviewed the Maine’s Tree Growth tax law. A copy of that report can be
found here.

We'd be very dismayed to have to revisit this issue late in the second session three bills already having been heard, worked and rejected in the first session. But if there is a bill, we will work with the broad nonprofit sector to review it and provide credible testimony to enable a full discussion with the appropriate legislative committee. We will demonstrate again that nonprofits earn their property tax exemption by providing significant benefits to their communities.

Please feel free to contact me with any questions. Thank you for your consideration.

Sincerely,

Jenn Burns Gray  
Director of Advocacy and Public Relations