

Town of Litchfield
Personal Property Tax Workshop
November 19, 2024

1.0 Convenes 6:30 P.M.; Pledge to Flag; Selectmen and Guests present

Selectmen: Gary Parker, Chairman; Clarence Gowell III (identified as Rick in these minutes); Scott Weeks.

Staff: Kelly Weissenfels, Town Manager; Michael Sherman, Fire Chief; Larry Nadeau, Road Comm.; John Upham, Transfer Station Manager; Tom Wood, Chm. Budget Comm.; Steve Ochmanski, Code Enforcement Officer; and others per the sign in sheet.

2.0
2.1 Review Personal Property Policy

Kelly started the workshop off by giving a brief overview of how the town of Litchfield categorizes its taxes.

Real estate taxes are the majority of Litchfield's tax base with a valuation over 300 million dollars. Personal property taxes are valued at approximately 3 million dollars.

Kelly said this workshop originated when a resident in town raised the question of the town's policy regarding personal property tax. There is a concern that some businesses in town are being taxed and some businesses that are not. Kelly wanted to clarify that even though most residents interact with the assessing agent, Ellery Bane, who works for the RJD company, the Select Board members are the official tax assessors for the town of Litchfield. Ellery was then given the floor to discuss more regarding his role and plan moving forward.

Ellery noted that RJD as a company now assesses somewhere in the neighborhood of 72 towns. Ellery noted that personal property is probably one of the more reaction provoking taxes his company deals with overall. He went on to say there is no hard rule governing all towns on how they assess and therefore collect personal property tax of businesses. Some towns send letters annually, some do not track or request any information from businesses, while others will send letters but do not actively seek out each business. Litchfield is one, to the best of Ellery's knowledge, that has never sent letters out to each individual business in town looking to gather personal property information. During the revaluation in 2019 was the first time this topic was brought up. Ellery was instructed to send letters to the larger companies in town. There was very little response to the letters which then resulted in an estimation of reasonable value for personal property. Ellery noted to the best of his memory there were only about 6

companies that received letters at that time: The Meadows Golf Course, Gowell's Shop 'n Save, Nadeau Marine, Pine Tree Fencing company and possibly one more. The 197 Diner may have gotten missed during the revaluation done in 2019.

Again, Gary wanted it to be perfectly clear that the members of the Selectboard are the assessors and Ellery, as the agent, takes direction from them. Ellery agreed with Gary on that.

Ellery noted that there needs to be guidelines that will be followed if the town wants to go down the route of sending letters and tracking down all assets of each business.

- a. How large/small should the business be
- b. So many thousand dollars in personal property tax

What Ellery needs to know where the line would be drawn, Gary wanted to clarify if the Selectboard has the authority to draw that line. Ellery believes that the assessing board has that right. He believes the assessing board has the right to set parameters regarding ANY tax. Ellery did say how he has seen things change over the last 20 +/- years. When he started in the early 2000's he was seeing large satellite dishes that folks used to have on their property being taxed. They were on the way to being phased out at that point. Ellery gave an example of another town he knows has sent their limit at \$10,000.00.

Kelly gave an example of the current mil rate and how the tax would then be applied (\$14.25 for each \$1000 of personal property valuation). He questioned if there was depreciation applied? Ellery gave examples of lists that he has received in the past and how he looked at the businesses, as well as how the rules apply to the list and depreciation.

Ellery suggested to the Select Board that they get a list together of legitimate, active businesses that are in Litchfield. He is capable and willing to send letters and can perform inspections if needed. However, all this depends on what the Selectboard wants to do.

Scott wanted to know if this would be based off the actual property the business sits on or how much revenue the business generates. Ellery doesn't recall getting that detailed during the process in the past. Ellery reiterated the point that some small businesses aren't worth taxing. Sometimes the revenue they generate or personal property they own isn't going to generate enough taxable income to pay for the postage, paper used, assessors time, etc. Scott said he feels there is a lot of gray area. Ellery agreed that there is. Kelly added that sometimes a company may have invested in a lot of equipment to do a job, however, they might not be bringing in enough income, or doing well enough to pay for the equipment, let alone pay the taxes. It's perceived their

business should be able to pay. Kelly has tried to contact the State to find out if there are some guidelines they could provide, but did not receive much help.

Ellery has come across towns that have been vehemently opposed to personal property taxes being assessed. Gary said that he believes that past boards in the town of Litchfield have taken that stance, especially on an individual basis. This is something Ellery agreed with. Per Ellery, there are definitely multiple things that can be taxed, the Select Board needs to determine what they want to tax and why.

Rick brought up cost vs reward, which was spoken about in the previous Select Board meeting. He would like to know the success rate of sending letters, then the follow through of business owners, so they can then be taxed. Rick has stores in other towns that do require business owners to send in personal property tax information. Ellery brought up Wiscasset as an example, and estimates that he has roughly 180 businesses he sends letters to and he noted he probably gets 75% compliance in returned letters with the information requested. The responses range from "same as last year" to a very detailed list of taxable property. Ellery noted there is a tax exemption that has been in place since 2008 that has morphed a few times since but it's something the businesses can investigate, which he references in the letter he sends out.

Ellery did mention that personal property taxes are not lien-able. Ellery has seen some towns try to take small businesses to court regarding personal property taxes and have the process be a complete failure. He would recommend coming up with a plan, set a statute and go from there.

Kelly asked about the campers that are here year-round but are possibly not taxed appropriately. Ellery said chasing after campers sometimes isn't worth the tax money you'll get. Ellery confirmed for Gary that if the camper stays in Litchfield and the resident isn't a full time Litchfield citizen it can still be taxed.

The topic was opened to the floor for discussion. Tom Wood asked, if a deck is attached to the house, then it would be part of the house? Ellery answered that it would be real estate tax. Tom's second question was regarding the RSU. He wondered if in the case the town did not impose any personal property tax, that when the state then stepped in to estimate a personal property tax valuation that it might be higher than actual and thereby increase Litchfield's share of RSU4 costs.

Plan to move forward:

Ellery recommended creating a policy on what the Select Board deems reasonable regarding personal property tax.

A Last suggestion by Renee Lachapelle was to have a meeting with the owner of the Birches campground and ask for a list of campers and seasonal campers. This was

something she had done in other towns when she was an assessor. Also, she would drive around and see what camper(s) were on each site. She would like to see the campers assessed a personal property tax that are set up all year round and not registered. She felt that all businesses should be sent the letter asking what personal property they claim.

Rick asked about some towns trying to attract businesses into their towns by offering a TIF (Tax Increment Finance) program. He would like Ellery to explain how that would play into a full plan for Litchfield. Ellery said he has seen this with other towns that know a certain part of the town (road/area) is going to be developed with new businesses. This is a proposal that must be written for the State. The tax is based on the captured value. This does also affect the schools (RSU4).

Gary closed the conversation with a plan for moving forward. At the next Select Board meeting he would like to discuss and decide whether the board members want to set up a Personal Property Tax Committee that would create a proposal in a timely fashion.

Meeting recessed at 8:15 am to move to executive session.

2.2 Executive Session for a personnel issue Executive session pursuant to 1 M.R.S.A. §405(6)(A)

The meeting reconvened at 8:27 am, and entered executive session at 8:28 am in accordance with 1 M.R.S.A. §405(6)(A) to discuss a personnel issue.

Executive session exited at 9:42 am.

3.0 Adjournment 9:43 am.

Respectfully submitted by Angel Parker and Kelly Weissenfels