

The Palesky Tax Cap: Cape Elizabeth Personal Illustrations

The Citizen's Tax Cap Task Force Communications Committee

The Palesky Tax Cap could be a reality for Cape Elizabeth and all of Maine if Question #1 passes on November 2. The tax cap will limit property taxes to 1 percent of assessed values, reducing revenue for the town of Cape Elizabeth by an estimated \$4.45 million. In a worst-case scenario, it could mean an \$8.9 million loss to Cape Elizabeth.

The Citizen's Tax Cap Task Force published its findings and conclusions. The fees and cuts proposed by the task force are credible, likely scenarios, but actual cuts and fees will be determined by the town council and the school board if the tax cap passes.

The potential financial impact on a few Cape Elizabeth families is shared below. The tax cap will affect each property owner in Cape Elizabeth differently, depending on a property's assessed value and the town services the owner uses, including public safety, schools, community services, the library and the pool.

It is relatively easy for a family to calculate their savings on property taxes under the cap and then add up fees at the transfer station and for school activities. It is impossible to put a specific dollar value on the overall loss of services and local control of spending decisions Cape Elizabeth would experience. Eliminating a third of municipal employees will likely mean cutting the police force by 33 percent, eliminating the fire

chief position, the town planner, the assessor, and having a much slower response time for snow plowing, to name a few. These impacts are not translated to any dollar amount per household. On the school side, the same is true: no dollar figure on an individual family basis can be attached to larger class sizes, elimination of art and music, a shorter school day, and the elimination of school-sponsored team sports.

The family profiles below are real people who have shared their particular circumstances. The tax office at town hall can calculate for any property owner what their tax bill under Palesky would most likely be.

The impact of the tax cap illustrated below does not take into consideration the fact that property taxes are a deductible item from one's income tax and that fees are not. This means that any savings in property tax will be taxed at the home owner's income tax rate, and the fees the family would be paying would be with after tax dollars.

Again, every family situation is different and the family profiles illustrate a very small portion of the overall impact of the tax cap. These are the easy calculations of the dollars, but do not address the fundamental changes the town would be faced with if municipal revenues were reduced by a minimum of \$4.45 million dollars.

Profile #1: Retired Couple: Brentwood neighborhood, longtime Cape residents

Taxes on \$259,200 assessed value home:

2002-2003: \$3,532 • 2003-2004: \$3,681 • 2004-2005: \$3,976 • 2004-2005 Taxes under Palesky: \$2,981

Property tax savings under Palesky: \$995*

Potential town fees and services impact on retired couple:

Town Service/Fee	Homeowners use	Impact
Trash: \$2.25/bag	2 bags/week	\$234
Library: 50% reduction in hours	Use once a week	\$0
Pool	3 times/week	Possible closure, large fee increase, \$86 increase on current \$215 senior pass
Community Service Program	4 programs/year	40% increase in fees, approx. \$56 increase
Fort Williams: \$5/visit	2 visits/week	\$100 max. (seasonal pass a likely option)
Police/Fire/Rescue	3 medical/rescue in 2003	Reduced response times
Athletic and co-curricular fees:	Grandchildren in C.E. and South Portland	\$0
Total fees:		\$476

Overall financial impact: \$519 savings/year under Palesky*

Comments: "We have difficulty seeing how we gain from having our property taxes capped at 1%. Granted we will pay less but in our minds there is not much "saving" and much to lose. We want to maintain vital municipal services such as fire, safety, rescue, community and library services. Nor do we want to see our schools deteriorate. The exceptional quality of our school system is the principal reason we moved here. If the Palesky tax cap becomes law, when we are through paying the inevitable charges and fees to maintain these services what financial gain we have hardly compensates for the diminished town and school programs. Not a happy prospect when we benefited so much from living in the Cape and still do. There is another "cost" factor to consider. We itemize deductions for federal income tax purposes. Sometimes it pays to do so, other times it does not. When it does, the amount of the deduction times one's tax bracket will be subtracted from savings."

*The initial property tax savings of \$995 is no longer a deductible item and could be taxed at the homeowner's income tax rate if they itemize their deductions.

Profile #2: Family with three school-age children, Broad Cove neighborhood

Taxes on a \$797,400 assessed value home:

2002-2003: \$11,746 • 2003-2004: \$11,323 • 2004-2005: \$12,232 • 2004-2005 Taxes under Palesky: \$9170

Property tax savings under Palesky: \$3,062*

Potential town fees and services impact on family:

Town Service/Fee	Homeowners use	Impact
Trash: \$2.25/bag	4-5 bags/week	\$468 to \$585/year
Library: 50% reduction in hours	1 time/month	\$0
Pool increase	3 to 5 times/week	Possible closure, large fee increase, approx. \$128 for yearly family membership
Community Service Program	Capeability Camps 5/summer	40% increase in fees, resulting in approx. \$100 increase for family
Fort Williams: \$5/visit	1 time/week	\$100 max. (seasonal pass a likely option)
Police/Fire/Rescue	possible need in future	Reduced response times
Athletics and co-curricular fees:	3 High-school sports 4 Middle-school sports	\$2,180
Total fees:		\$2,976.00 to \$3,093

Overall financial impact: break even under Palesky Tax Cap*

Comments: “The projected loss to Cape Elizabeth of roughly \$4.4 million, from a total town budget of \$26 million, is hard to fathom. It is a mathematical impossibility for life, as we know it in Cape, with excellent schools and municipal services, to continue in the aftermath of a budget cut of that magnitude. Each town and city in Maine should be able to choose, for itself, the level of its expenditures to be funded by local property taxes. The Palesky initiative would strip us of the ability to make those decisions on a local basis and would transfer more budget authority to Augusta—not a palatable prospect. Statewide, a projected \$600 million loss of property tax revenues will likely be countered with an increase in state income taxes and/or sales taxes, which, when combined with new local user fees, will have a net effect unlikely to benefit most Maine residents.”

*The initial property tax savings of \$3,062 are no longer a deductible item and could be taxed at the homeowner’s income tax rate if they itemize their deductions, so rather than a break even, this family would lose money under Palesky.

Profile #3: Family with three school-age children, Brentwood neighborhood

Taxes on a \$235,500 assessed value home

2002-2003: \$3,159 • 2003-2004: \$3,344 • 2004-2005: \$3,613 • 2004-2005 Taxes under Palesky: \$2,708

Property tax savings under Palesky: \$905*

Potential town fees and services impact on family:

Town Service/Fee	Homeowners use	Impact
Trash: \$2.25/bag	5 bags/week	\$585
Library: 50% reduction in hours	Family uses regularly	\$0
Pool	Regular use	Possible closure, large fee increase
Community Service Program	3-4 programs/year	40% increase in fees, \$30 additional
Fort Williams: \$5/visit	Summer visits are 3/week	\$100 max. (seasonal pass a likely option)
Police/Fire/Rescue	One child has a severe nut allergy	Reduced response times
Athletic and co-curricular fees:	2 H.S. sports, 4 M.S. sports 1 H.S. chorus, 2 M.S. chorus	\$1570 or more in fees
Total fees:		\$2285

Overall financial impact: \$1,380 loss under Palesky*

Comments: “While I agree with many that taxes need to be controlled and the finances of our state managed in a more efficient manner, I can’t see that the tax cap is the solution. The people most affected by the loss of services are the ones who are least able to afford it. I think our children deserve the support of all when it comes to education. Having been involved in the schools, I appreciate the job our school administrators and teachers do in the current economic and social climate. Taxpayers who question school funding, programs, and policies should visit our schools and see what is accomplished in a day; the world has certainly changed in my lifetime, and our school have evolved to deal with those changes.”

*The initial property tax savings of \$905 is no longer a deductible item and could be taxed at the homeowner’s income tax rate if they itemize their deductions, so this family might lose even more money under Palesky.