

Impact of Proposed State Budget on Cape Elizabeth Property Taxes

The “average” Cape Elizabeth property owner owns a home with an assessed value of \$314,000 and pays \$4,976.90 in annual property taxes.

Cape Elizabeth has households with limited income. 608 households (1 of every six) received assistance last year from the Maine Property Tax and Rent Relief “Circuit Breaker” program. \$482,859 was directly received by homeowners and renters. The average benefit was \$794, the fourth highest in Maine. The proposed budget reduces the eligibility for this program and it is estimated that 90% of those eligible in Cape Elizabeth could no longer participate in the program.

The homestead exemption is available to all Maine residents. The exemption reduces taxes for most Cape Elizabeth homes by \$158.50. The proposed budget would eliminate this program to all under 65 and would create a new municipal burden in verifying age eligibility for the program.

The current year budget provides estimated revenue sharing of \$640,000 from the state of Maine. This amount is 100% utilized to reduce property taxes. The amount saved by the average assessed home is \$138.06. The proposed budget recommends suspending this program for two years.

The state has traditionally picked up the employer share of retirement costs for school teachers and administrators. In 2012, this amounted to \$1,836,920. The proposed budget provides that municipalities would transfer half of the expense of teacher retirement to school districts based on the state funding formula. . As Cape Elizabeth has 11% of the school budget paid for by the state, it is estimated that \$1,634,000 of this expense would be transferred from the state budget to the local property tax. This would add \$311.98 to the average tax bill. (The State has not confirmed exactly how this cost would be run through the school funding formula so this calculation is subject to a clearer state interpretation of the proposal.)

Summary of State Budget Impact on Property Tax for Home Valued at \$314,000

Homestead Exemption	\$158.50
Revenue Sharing	\$138.06
Teacher Retirement	\$311.98
Subtotal	\$608.54 (12.2% Increase in Tax Bill)

In addition, one in six households would lose an average benefit of \$794 from the circuit breaker program. For these struggling households, the total impact is \$1,402.54.