



Administrative Assistant to the Selectmen

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Impact Analysis Proposed Excise Tax Referendum

As requested, I've prepared an analysis on the impact of the likely referendum to be held in November to sharply reduce the amount of excise tax on vehicles. The measure, as petitioned, would reduce the first year rate from 24-mills to 12-mills, the 2nd year rate from 17.5 mills to 8-mills, and any vehicle older than 3-years old would be taxed at a rate of 4-mills.

To figure the impact, I used calendar year 2008 excise tax transactions processed in this office where we capture the mill rate information. The following spreadsheet information sets it out pretty clearly.

Impact of proposed excise tax referendum

Year	current Mill	Amt Collected 2008	Full MSRP	Proposed Mill	Proposed Collection	Difference	% Lost
1	0.024	\$42,066.38	\$1,752,766	0.012	\$21,033.19	\$21,033.19	50.00%
2	0.0175	\$55,819.14	\$3,189,665	0.008	\$25,517.32	\$30,301.82	54.29%
3	0.0135	\$36,810.75	\$2,726,722	0.004	\$10,906.89	\$25,903.86	70.37%
4	0.01	\$36,297.44	\$3,629,744	0.004	\$14,518.98	\$21,778.46	60.00%
5	0.0065	\$17,415.54	\$2,679,314	0.004	\$10,717.26	\$6,698.28	38.46%
6	0.004	\$92,275.58	\$23,068,895	0.004	\$92,275.58	\$0.00	0.00%
total		\$280,684.83			\$174,969.21	\$105,715.62	37.66%

The Full MSRP amount is a factor of the amount collected divided by the current mill rate. The proposed collection is a factor of the proposed mill rate multiplied by the full MSRP Amount. The difference is the amount collected in 2008 minus the proposed collection amount.

The bottom line – we would have collected \$105,715.62 less in excise tax in these transactions in 2008 under the likely referendum, a reduction of 37.66%. This represents a little less than ½ a mill on property taxes.

So the question begs to be answered, how much will the average vehicle owner save vs. the increase in property taxes. This is difficult to answer, as property values have a wide range. But, the average excise savings are pretty easy to calculate as follows:



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Year	Nbr # Vehicles	Avg MSRP	Avg Savings
1	93	\$18,846.94	\$94.23
2	132	\$24,164.13	\$131.18
3	113	\$24,130.29	\$169.81
4	143	\$25,382.83	\$152.30
5	108	\$24,808.46	\$95.42
6	1159	\$19,904.14	\$0.00
total	1,748	\$22,872.80	\$86.15

The average MSRP column is the full MSRP column above divided by the number of transactions. On year one, many of those transactions are likely to be transfers, so the average MSRP is likely to be understated. The average savings are the average MSRP number times the percent lost from the above spreadsheet.

If you figure ½ mill on a home valued at \$200,000, the property tax increase would be \$100. The vast majority of vehicle owners (1,360 or 77%, assuming all own homes and pay property tax) would lose money. Obviously not all vehicle owners pay property tax, and not all property owners pay an excise tax, so comparing apples to apples is at best a wild guess.

The Rapid renewal transactions are not included in these figures, as the information is not readily captured from that system.

I hope this gives a somewhat accurate assessment of what we're facing.

stu