

Maine Revenue Services December 2004

The State of Maine has three "current use" programs which offer the property owner a reduction in their assessed value: Farm Land, Open Space and Tree Growth.

According to the State of Maine Property Tax Law, Title 36, the following purposes are found within the statutes.

Tree Growth §572. Purpose

It has for many years been the declared public policy of the State of Maine, as stated in sections 563 and 564, to tax all forest lands according to their productivity and thereby to encourage their operation on a sustained yield basis. However, the present system of ad valorem taxation does not always accomplish that objective. It has caused inadequate taxation of some forest lands and excessive taxation and forfeiture of other forest lands.

It is declared to be the public policy of this State that the public interest would be best served by encouraging forest landowners to retain and improve their holdings of forest lands upon the tax rolls of the State and to promote better forest management by appropriate tax measures in order to protect this unique economic and recreational resource.

This subchapter implements the 1970 amendment of Section 8 of Article IX of the Maine Constitution providing for valuation of timberland and woodlands according to their current use by means of a classification and averaging system designed to provide efficient administration.

Therefore, this subchapter is enacted for the purpose of taxing forest lands generally suitable for the planting, culture and continuous growth of forest products on the basis of their potential for annual wood production in accordance with the following provisions.

Farm and Open Space §1101. Purpose

It is declared that it is in the public interest to encourage the preservation of farmland and open space land in order to maintain a readily available source of food and farm products close to the metropolitan areas of the State to conserve the State's natural resources and to provide for the welfare and happiness of the inhabitants of the State, that it is in the public interest to prevent the forced conversion of farmland and open space land to more intensive uses as the result of economic pressures caused by the assessment thereof for purposes of property taxation at values incompatible with their preservation as such farmland and open space land, and that the necessity in the public interest of the enactment of this subchapter is a matter of legislative determination.

All three programs are available to the property owner through an application process with the local municipality. Applications must be filed on or before April 1st.

Certain criteria must be met for each program in order to be eligible and any future change in the use of the land which would cause disqualification would result in a penalty.

FARM LAND

In the farmland program, the property owner is required to have at least 5 contiguous acres in their tract of land. The land must be used for farming, agriculture, horticulture and can include woodland and wasteland. Additionally, the tract must contribute at least \$2,000 gross income from farming activities, each year.

The Department of Agriculture prepares a valuation guideline for the municipalities, which results from studies based on suggested values using a correlation from income stream and market data attributable to agricultural enterprise.

If the property no longer qualifies as a farmland tract, then a penalty would be assessed. The penalty is an amount equal to the taxes that would have been paid in the last five years if it had not been in the farmland, less the taxes that were originally assessed, plus any interest on that balance.

OPEN SPACE

No minimum acreage requirement with this program! However, minimum areas and setbacks must be excluded from classification.

The tract must be preserved or restricted in use to provide a public benefit. Benefits recognized include public recreation, scenic resources, game management or wildlife habitat.

The valuation placed on Open Space is typically done by reducing the fair market value in accordance with a cumulative percentage reduction for which the land is eligible according to certain categories. Those categories are as follows:

- Ordinary Open Space – 20% reduction
- Permanently Protected – 30% reduction
- Forever Wild – 20% reduction
- Public Access – 25% reduction

TREE GROWTH

This program provides for the land owner with at least 10 acres of forested land used for commercial harvesting. A Forest Management and Harvest Plan must be prepared and a sworn statement to that effect submitted with the application. Applications include a map of the parcel indicating the forest type breakdown as well as all other areas not classified as tree growth.

Each year, the State Tax Assessor determines the 100% valuation per acre for each forest type by county and by year.

If the forestland no longer meets the criteria of eligibility or the landowner opts to withdraw from tree growth classification, then a penalty would be determined. Depending upon the length of time that the parcel has been enrolled, the penalty would be an amount between 20 and 30% of the difference between the 100% tree growth value and the fair market value.