



EXECUTIVE  
DEPARTMENT

## CITY OF SOUTH PORTLAND

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March 22, 2021

Dear Resident,

**I want to take this opportunity to alert you to an issue that could have significant implications for your property tax bill later this year.** In 2019, the City began the process of updating all residential and commercial real estate property values citywide. This is known as a revaluation. The Maine Constitution requires that properties be assessed at their "just value." Courts have interpreted just value to mean in accordance with fair market value, or in other words: what the property is worth. In South Portland, as in many communities, determining the just value is the job of the Assessor.

Maine law provides for two primary assessing standards that all Maine municipalities must meet. The first of these is that the average sales ratio in a municipality must not fall below 70%. (This statistic is calculated by averaging the ratio of the current assessed value divided by its selling price all sales in a municipality.) The second standard states that all properties must be assessed equivalently. Two properties that are similar, in similar locations must have equivalent values.

*For example, if you and your neighbor have essentially the same home and land features, and your property is valued at \$200,000, then your neighbor's value should also be similar to the \$200,000 valuation.*

In recent years, significant changes have occurred in the real estate market in South Portland (and the region). In fact, this past January, Redfin named South Portland one of the ten most competitive cities in the entire United States to buy a home, finding that 55.6% of homes sold above list price. The sale prices impact not just the homes that were sold, but all similar properties in our community as well. As a result of these real estate market forces, South Portland's ratio has fallen below our State's standard.

While commercial property sales have also been competitive, they have been outpaced by the residential market. Because of this, when the revaluation occurs, there will be a property tax "shift" that takes place. In other words, property value growth on the residential side will outpace growth on the commercial side and as a result, residential property owners will bear more of the property tax burden. Once this revaluation is finalized later this spring, it will not be uncommon for residential property owners to see tax bill increases of 10%, 20%, 30% or more even if the City budget were to remain flat.

Here is a simplified explanation as to why this is so. Imagine a community has \$100 million in total value evenly split between commercial (\$50 million) and residential (\$50 million). This community needs to raise \$1.9 million via property taxes to fund its municipal budget. This would yield a tax rate (aka mil rate) of \$19.00 per thousand dollars of assessed value. For someone with a \$200,000 home or business, this means an annual tax bill of \$3,800 (\$19 x 200).

However, if a revaluation found that all property values needed to increase evenly by 25%, the community's value would now stand at \$125 million. In order to raise the same \$1.9 million in revenue for the municipal budget, the tax rate would actually decrease by 20% to \$15.20. The owner of the \$200,000 home now has a home worth more - \$250,000 - but because the tax rate is now only \$15.20, they pay the exact same amount in property taxes as before: \$3,800 (\$15.20 x 250).

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[www.southportland.org](http://www.southportland.org)

Unfortunately, revaluations are never this simple. Some areas and sectors see increases faster than others, while some actually can see reductions in value. In the same example as above, assume the commercial side value only increases 15% while residential increases 35%. This still yields a 25% overall increase as before (to \$125 million in overall value), and the mil rate would still drop from \$19 to \$15.20 to raise the same \$1.9 million in revenue. However, the \$200,000 homeowner will see their property increase 35% to \$270,000. At the new tax rate, their tax bill will increase \$304/year, an 8% jump. (Remember that had it been an across the board 25% increase, their tax bill would have remained the same.) Conversely, a commercial property owner with a \$200,000 property would see their property's value rise by 15%, to \$230,000. At the new mil rate, the owners would go from paying \$3,800/year in taxes to \$3,496 – an 8% decrease. The amount that the commercial properties saw for a decrease is thus made up by the residential side. Though the percentages will be different, this is in effect what we anticipate for South Portland properties.

As we noted in a tax bill letter last year, part of the information used to determine valuation is based on the information contained within our Assessor's database. For those of you who haven't already, please visit <http://gis.vgsi.com/southportlandme/> and choose "Enter Online Database". From there you can enter your property address to ensure the information we have on file is correct. If you have questions or changes, contact Assessor Jim Thomas at [jthomas@southportland.org](mailto:jthomas@southportland.org) or 207-767-7604.

New values will be posted on the Assessor's page at [www.southportland.org](http://www.southportland.org) in May or June and the first tax bill reflecting these new values will be sent in July.

Aside from this, there are several property tax relief programs available that can help mitigate the impending tax shift:

- 1) **Homestead Exemption.** Eligible property owners can receive an exemption of \$25,000 off their property value. At the current tax rate of \$19.75, this is a savings of nearly \$500 per year! Call our Assessor's Office at 207-767-7604 or visit the Assessor's page on our website for an application form. Deadline to submit is April 1<sup>st</sup>.
- 2) **State Property Tax Fairness Credit.** Eligible Maine taxpayers may receive back a portion of the property tax or rent paid during the tax year on the Maine individual income tax return whether they owe Maine income tax or not. If the credit exceeds the amount of your individual income tax due for the tax year, the excess amount of credit will be refunded to you. To claim this credit, file Form 1040ME and Schedule PTFC/STFC with your taxes, or call the State at 207-626-8475 for more information.
- 3) **South Portland Senior Property Tax Assistance.** Seniors age 68 and older who have also filed the above Maine Tax Form 1040ME may be eligible for property tax relief from the City. Download the application form by visiting the Finance Department page on our website, and clicking on the "Property Tax Assistance Program" link, or call Vicki Inman at 207-767-7609 to have a form mailed to you. This year's application deadline is May 3<sup>rd</sup>.
- 4) **Poverty Abatement.** For homeowners who are struggling to pay their property taxes, the City Council can abate (forgive) some or all of a past due (liened) property tax bill if they determine you are unable to make payments. This is done in Executive (closed) Session and your information will not be made public at the meeting. Contact Social Services Director Kathleen Babeu at 767-7617 or [kbabeu@southportland.org](mailto:kbabeu@southportland.org) for more information.

In closing, the City Council is in the process of reviewing the budget for the next fiscal year, which begins on July 1. **There are many opportunities to give your input on the budget, starting with the public hearing to be held on Tuesday, April 6, 2021 at 6:30 p.m. via Zoom.** In addition to the public hearing, each department will be presenting their budget to the City Council in a series of workshops scheduled in April and May. Public comment is welcome at each of these workshops and at the public hearing. Information about the budget meetings schedule and how to join these meetings can be found at <https://www.southportland.org/budget> or by calling the City Clerk's office at 207-767-7627.

Sincerely,



Scott Morelli, City Manager