

Chapter President Kerry Leichtman



The humble beginnings of vacation rental properties were innocent enough. They worked sort of like a traders' club. If I made my home on the coast of Maine available to someone while I was away on vacation I could then stay in Paris at someone's home while they were away on vacation.

Another type of vacation rental was the beach house. Families would rent a house for an extended period of time: two weeks in July, or the month of August, for example. It was a cheaper way for a middle-class family to vacation. Having a kitchen meant not every meal was eaten in a restaurant, and the lodging rates worked out to less than multiple motel rooms. These rentals were usually found through word of mouth, or local newspaper classified ads. Families often made the same rental arrangement every year.

Then there was the ski area and the golf course condo vacation rental. It was the same idea, but rentals were obtained via some sort of exclusive network. This was probably the genesis of the timeshare form of vacation property ownership.

Enter social media and all of the above went on steroids. Word-of-mouth was replaced by international announcements. Enter **Air BNB**, a marketplace for people to list and book unique accommodations around the world.

What was once a cash-under-the-table side business in resort communities became a major worldwide hospitality enterprise. I saw an interview with the CEO of **AirBNB** a few weeks ago; the company, started in 2008 is now a \$26 billion business – definitely no longer a simple side business.

This type of accommodation opportunity can be found through other entities; **HomeAway**, **Booking.com**, **VRBO** and **Roomorama**, to name a few. Like Uber taxis, these entities fly under the state and federal regulations radar. Even Maine municipalities have been reluctant to force them into being regulated like the businesses they compete against. Is this right?

As assessors the right and wrong of it isn't our concern. It doesn't matter if you think vacation rentals should be taxed or left alone, our task is to assess properties throughout our jurisdictions fairly and equitably to one another.

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Maine News

The closure of the **Old Town** mill results in an estimated 9% property tax hike. Although there was a decrease in the fiscal year 2017 budget, it is not enough to offset the loss in mill revenue.

Check out this story on mill closures! <http://news.mpbn.net/post/former-mill-towns-face-challenge-keeping-property-tax-rates-down#stream/0>

In **Bangor**, the city settled a year and a half long dispute over the value of the gambling casino and hotel. As of April 1, 2015, the assessment was reduced from 97.4 million to 82.5 and further reduced for 2016 and 2017 at 80 million. In return, the casino dropped its challenge on the 2014 assessment.

The **Cape Elizabeth** B.A.R. decided to deny a local gun club its request as an exempt entity. The 61 year old gun club has historically been exempt from property tax, however, after closer review and the fact that the club went from a 501(c)3 to a 501(c)7, the assessor began to assess the real estate.

As mentioned in Kerry's article to your left, the vacation rentals have become a concern regarding fairness in taxation. Recently, a historic **Rockland** inn owner claimed discrimination because the city is not assessing the personal property of vacation rentals, but they are taxing inns and bed and breakfast establishments.

Voluntary Municipal Farm Support Program (VMFSP)

Submitted by Judy Mathiau, Winslow Assessor

Here in the rural town of Winslow, the council recently adopted a new ordinance to allow for a Voluntary Municipal Farm Support Program (VMFSP). The intent of the program is to promote, protect and preserve the local viable farm community.

Beginning in 2013, a local Agricultural Working Group worked with the Maine Farmland Trust to begin researching the needs of Winslow farmers and their own interest in preserving farmland soils.

In 2014, the members of the working group became an appointed Agricultural Commission. I was eventually brought into the meetings and we worked with Stephanie Gilbert of the Maine Department of Agriculture to form the program. In May of 2016, the council adopted the VMFSP for the town of Winslow, the first in the state!

The VMFSP is designed to benefit the farmers and the citizens of Winslow. There are still several working farms left in Winslow, small and large and the Commission hopes that this program will ease the property tax burden on local farms, thus allowing the farmer to sustain its agricultural operations.

Eligibility - one parcel consisting of at least 5 contiguous acres that produce crops or products with a gross income of at least \$2,000 annually (similar to Current Use Farmland) and any farm use building may be considered on a case by case basis.

- Application is due October 1st
- Application is reviewed by the Assessor for completeness
- On-site inspection of the property is conducted by the Assessor and an AG member
- Written summary of the on-site visit is submitted to the AG Commission
- AG Commission submits their recommendation to the town council no later than December 31st
- Council has the authority to approve, disapprove or adjust the Commission's recommendation.

Upon acceptance by the Town Council, the landowner is then eligible to enter into a **Farm Support Arrangement** with the town. Under the arrangement, the landowner grants an **Agricultural Conservation Easement** to the town, thus agreeing to continue the agricultural use of the farmland and farm buildings over a 20 year period. In return, the town would make farm support payments to the landowner equal to 100% of the property tax paid each year on the qualified assets.

Each year thereafter and no later than May 1st, the landowner must pay an annual fee of \$50 and submit an income report to the assessor. The assessor must report to the Winslow AG Commission each year by June 1st as to the status of the property of each eligible participant, and every two years, must visit the property.

If anyone would like more information or if you have questions please call me at 872-2776 ext. 5205 or e-mail: jmathiau@winslow-me.gov.

You can review the application and program description by visiting my page on the town Winslow web site: www.winslow-me.gov/departments/assessor

Samples of Winslow Farms and Buildings



Winslow Farm

*The Annual Maine
Property Tax School
is offering a session
(PT214)
presented by the
Maine Farmland Trust
and they will be speaking
on the VMFSP,
Forever Farms and
Open Space Program*



Winslow Farm



Karter Farm—Winslow

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If someone is using their property to produce income, it is an income-producing property and, therefore, the income approach should have bearing on its value determination. The more typical cost and sales approaches might not adequately address the property's value.

VRBO is part of the **homeaway** family with several listings right here in Maine primarily on the lakefront!

Airbnb has 2 million listings over a span of 191 countries which includes 1,400 castles!



Income producing properties are subject to personal property taxation. And this is where things get tricky. If a room or just a portion of a house is being rented and the owner is occupying the rest of the premises, what is being used primarily for the business, what is being used primarily by the owner, and what is being used by both? The same "primary use" dilemma occurs with a house that is rented for the summer and occupied by the owner for the rest of the year. This has the potential to be as bad a headache as determining front and backroom uses in a retail sales facility.

A building that is available as a year-round rental is simple. Everything not affixed to the ground is personal property. Most of it is BETR eligible. Income and expense information must be collected and the income approach should factor in a reconciliation of a value determination for the real estate. Insofar as assessing is concerned, that's about as far as we can and should go absent local ordinance or state statute.



Homeaway has a jungle tree house in Mexico available for \$80/night!

As the assessor for Rockport and Camden, I've had conversations with upset innkeepers and have been asked to speak at planning and select board meetings on the issue of fairness of taxing, for example, bed & breakfasts but not AirBNB type properties. The innkeepers think we should tax both equally. It would be impossible for me to discover who is renting a room or a section of their home without regulations defining what is permissible and what is not, and without some sort of permit registration structure in place.

Cape Elizabeth and Rockland are two Maine communities that have put a few regulatory toes in the water. In Cape Elizabeth they defined short-term vacation rental in an ordinance and created a permit requirement. Rockland is requiring vacation rentals to register as businesses. Both municipalities' ordinances attempt to address neighborhood concerns and life safety issues.

We've posted both ordinances on the Maine Chapter website: mechapteriaao.org

Booking.com offers luxury tents while traveling the deserts of Morocco!



Please let us know how your municipality is dealing with this issue and we'll pass things along as the topic develops.

IAAO



Anniversaries...

Celebrating 20 Years!

Dennis Berube—John O'Donnell Associates

Welcome Aboard!

Elisa Trepanier—Windham

Phil Drew—Bangor

News...

- ◇ **IAAO** has released a publication titled

IAAO State Roll Call: Requirements for Assessing Licensing and Certification this book contains the state statutes and regulations that effect the career trajectory of assessment professionals in the US as well as the relationship of those laws to IAAO's educational program. The book is posted as a pdf on IAAO's website and is a free resource available to anyone.

- ◇ **In new Hampshire, 2 IAAO Courses are slated:**

112—Income Approach to Valuation II—Concord, October 17-21, 2016

332—Modeling Concepts—Concord, November 28—December 2, 2016

Visit www.iaao.org for more information!

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In other States.....

A recent decision in **Pennsylvania** ruled that the correction of a property record which triggers an increase of the assessment does not constitute an illegal selective reassessment. The county's staff monitored on line real estate listings for accuracy of the components of a property and made changes to the record. Although the court agreed it was legal to make corrections in number of beds, baths, story height, etc—the county was not permitted to make "grade" changes. (*Blanda v Somerset County of Assessment Appeals*)

A statement made by a tax attorney in **Albany, NY** could easily relate to our concerns in Maine regarding tax exempt law. "You've got a 1930s law in a 2016 world." Both the city of Albany and the staff at Dougherty County plan to conduct a system wide review of all organizations currently receiving an exemption.

In **Orange County, Florida**, an investigation has uncovered more than \$550 million related to property tax fraud. A property owner in Florida, may be eligible for a \$50,000 homestead exemption, but some have cheated the system and claimed more than they are allowed.

BEE careful in **Wyoming**—lawmakers are considering offering the same tax break to bee keepers that farmers and ranchers currently get on agricultural land.

Advocates are concerned about the bee population and hope this will be a small incentive to the keepers.



69th Annual Maine Property Tax School—Don't forget to register!

The Annual Maine Property Tax School runs from August 1 through August 5 at the Hutchinson Center in Belfast.

Jeff Kendall, Chief of Training and Certification with Maine Revenue Services has finalized the schedule which offers several advanced, basic and appraisal type classes. You may view the whole brochure and registration form at

<http://www.maine.gov/revenue/propertytax/trainingcertification/school.htm#school>

Extra events at the school include the traditional annual lobster bake on Monday night—a great opportunity for networking, music, and hearty food. The Me Chapter IAAO will be providing adult beverages at this event as well!

On Tuesday evening, there will be a family style BBQ picnic on the Belfast waterfront!

On Wednesday, Kerry Leichtman and Judy Mathiau will be teaching the Assessor's Practice, a class sponsored by the Maine Chapter of IAAO. Although this class is geared towards the first time assessor in basic day to day administration.

On Thursday, our very own president, Kerry, will also be moderating a session on Oddball Properties and Situations!

This is a very affordable opportunity for education and credits!

On behalf of the Me Chapter IAAO, we all hope to see you there!

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