

The Motor Vehicle Excise Tax Initiative - 2009

What is the Excise Tax?

How are the Revenues used?

What is the Initiative?

What will be the impact for Falmouth?

Question to the Voters

Ballot Question #2

“Do you want to cut the rate of the municipal excise tax by an average of 55% on motor vehicles less than six years old **and** exempt hybrid and other alternative-energy and highly fuel-efficient motor vehicles from sales tax and three years of excise tax?”

Excise Tax Facts

- The motor vehicle excise was adopted in 1929. Prior to 1929, vehicles were part of the general property tax system. It has remained essentially unchanged for 80 years.
- Excise Tax revenues are collected locally and remain with the local municipalities.
- It is not required by law that excise tax revenue be used for road maintenance.
- After property taxes, the excise tax is the largest source of municipal revenue.

More Excise Tax Facts

- Excise Tax is calculated on the sticker price of the car, not the purchase price. This is done because the amount paid is deductible from Federal taxes and needs to be uniform across the nation.
- Municipal money used for road work comes primarily from two sources, 90% from vehicle excise tax and 10% from State aid (URIP)
- A ten-year comparison shows that an average of 93% of the excise tax collected in Falmouth has been used for local road maintenance, repair, plowing and sanding.

Excise Tax vs. Road Maintenance – 2007 Falmouth Actual

Excise Tax revenues	2,348,605
State Aid (URIP)	<u>174,008</u>
Total	2,522,613

Road Maintenance expense	<u>(2,360,628)</u>
Difference	161,985*

Percent spent on roads 93.6%

This amount does not include some administrative or
technology costs

Excise Tax vs. Road Maintenance – 2007 State Average

Excise Tax revenues	210.4 million
State Aid (URIP)	<u>25.4 million</u>
Total	235.8 million

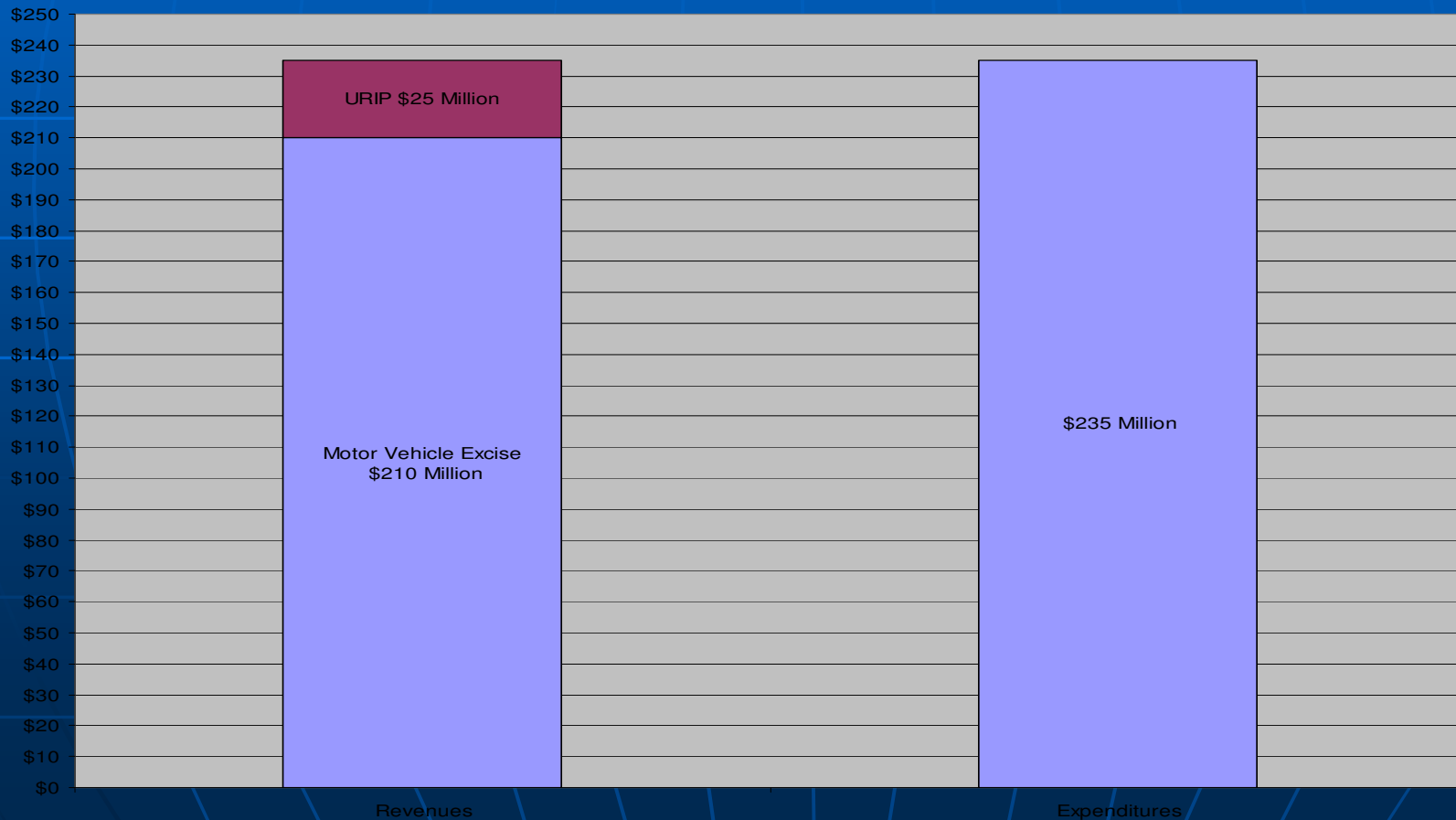
Road Maintenance expense	<u>(235.4) million</u>
Difference	0.4 million

Percent spent on roads 99.83%

2007 State and Road Revenues and Expenditure

- Municipalities use motor vehicle excise revenues for road maintenance and repair.

2007 State Road Revenues & Expenditures



How are Excise Revenues budgeted for 2010 in Falmouth?

2010 Falmouth Road Revenues & Expenditures



What will the change be in the Excise Tax? New Tax/Old Tax Comparison

Year	Current Mill Rate	Proposed Mill Rate	Reduction
1	24.0	12.0	50%
2	17.5	8.0	54%
3	13.5	4.0	70%
4	10.0	4.0	60%
5	6.5	4.0	38%
6+	4.0	4.0	0%

Under the new initiative, hybrid, fuel efficient and alternative vehicles will be exempt from Excise tax for the first three years and pay no sales tax.

Estimated Impact for Falmouth – 2009 (000)

Model Year	Falmouth Regs	Falmouth Percent	Current Tax	Revised Tax	Difference
'08-09	771	7.5%	548	274	(274)
'07	847	8.2%	403	184	(219)
'06	783	7.6%	300	89	(211)
'05	809	7.9%	219	88	(131)
'04	837	8.1%	156	96	(60)
< '03	6,249	60.7%	543	543	0
Total 10,296			2,169	1,274	(895) (41.3)%

If initiative passes, it will be implemented on Jan. 1, 2010

State Average vs. Falmouth Comparison

	<u>State</u>	<u>Falmouth</u>
% spent on roads (2007)	99.8%	93.6%
% reduction in revenue	40.0%	41.3%
% vehicles > 5 years old	68.0%	60.7%

What happens if the initiative passes?

- The amount of excise tax collected by Falmouth of which 97% is allocated for road maintenance in the current year budget, will be reduced by 41.3% or \$895,000.
- There are three ways to make up this deficit,
 - cut town services,
 - raise property taxes
 - combination of both.

Possible Town Services to be decreased or eliminated if Excise Tax is passed

■ Cut Road Repair	\$ 250,000
■ Eliminate Trash/Recycling pickup	\$ 360,000
■ Cut Open Space	\$ 280,000
■ Cut Metro	\$ 150,000
■ Move Dispatch to County	\$ 100,000
■ Cut personnel at Town Hall	\$ 40,000

This is just a sampling of options that the Council would consider.

Example #1

- Falmouth resident with \$450,000 home, a new car (\$35,000 sticker), and a 6 year old car (\$30,000 sticker)
- Assume loss in excise made up with increase in property tax

	<u>Current</u>	<u>If Passes</u>	<u>Gain</u>
New Car	\$ 840	\$ 420	
Old Car	\$ 120	\$ 120	
Property Taxes	<u>\$ 5,558</u>	<u>\$ 5,751</u>	
Total	\$ 6,518	\$ 6,291	\$227

Increase to property tax is \$0.43 per \$1000 of valuation.

Example #2

- Falmouth resident with \$250,000 home and two 6 year old cars (\$20,000 sticker)
- Assume loss in excise made up with increase in property tax

	<u>Current</u>	<u>If Passes</u>	<u>Loss</u>
Old Car	\$ 80	\$ 80	
Old Car	\$ 80	\$ 80	
Property Taxes	<u>\$ 3,088</u>	<u>\$ 3,195</u>	
Total	\$ 3,248	\$ 3,355	(\$ 107)

Increase to property tax is \$0.43 per \$1000 of valuation.

Why change the Excise Tax?

- Proponents say:
 - This initiative will force municipalities to better prioritize their spending.
 - People feel they are overtaxed when they buy a car in Maine.
 - Maine ranks second highest in the country for excise taxes.
 - This initiative will be an incentive for citizens to buy new or hybrid cars.

Why not change the Excise Tax?

■ Opponents say:

- This is a regressive tax, only those who can afford a new, or hybrid car receive the benefit.
- Hybrid and alternative fuel efficient cars are exempt, but the definition of fuel efficient or hybrid is misleading. A Cadillac Escalade which has MPG of 20 would be exempt, but a Ford Focus with a MPG of 27 would not be exempt.
- The cut to motor vehicle excise tax would reduce the quality of our roads and local bridges. Maintaining our roads is crucial to our economy and safety.
- There have been three recent publications noting that **Maine roads need significant work.** Maine Development Foundation (2009), American Society of Civil Engineers – Report Card (2008) and MBTA Road Assessment (2008)

Excise Tax Initiative Summary

- Cars less than six years old will see their excise taxes reduced by an average of 55%.
- Hybrid and fuel efficient cars are exempt from paying excise taxes for the first three years and pay no sales tax.
- Excise Taxes are collected locally and spent locally.
- Falmouth would see a 43.1% decrease in revenues totaling \$895,000.
- Of the registered cars in Falmouth 60.7% are over five years old.
- Falmouth has budgeted for 2010, 97% of the funds collected thru excise taxes on road maintenance and repair.