

ENVIRONMENTAL TAXES IN NEW ENGLAND



An Inventory of Environmental Tax and Fee Mechanisms
Enacted by the New England States and New York

Environmental Law Center
Vermont Law School
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This report is the first phase of a project in which Vermont Law School's Environmental Law Center is evaluating the opportunities for increased use of environmental tax measures in the New England states and New York as an alternative to traditional regulatory approaches to environmental protection.

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I. ABOUT THIS INVENTORY

Environmental quality traditionally has been achieved through the regulatory process at the federal, state and local levels. While this approach has succeeded in many respects, it is certainly not the only or the most efficient means of influencing human activities that may have an effect on our natural world. Increasingly, people are looking at market-based approaches to environmental problems.

One such approach involves using tax systems to influence decisions that will have an effect on the environment. Targeted tax reductions, such as tax credits or property tax relief, can encourage taxpayers to act in an environmentally advantageous way; targeted tax increases imposed on certain products or activities, such as hard-to-dispose materials, can discourage their use or generate the funding necessary to help government solve the environmental problems created by their use.

The tax approach leaves individuals and businesses free to make their own decisions. They can decide whether to be financially swayed by a tax incentive in the form of a tax reduction, and they can decide whether it is economically more efficient to pay an increased tax rather than to change the way they do business. In addition, revenues generated by environmental tax increases can help relieve the burden of other taxes. For example, taxes on emissions can help pay for the cost of environmental programs, lessening the burden on the government's general fund.

The idea of the interplay of tax systems and the environment is by no means a new one. For many years, the federal tax code has given tax benefits to people who permanently protect their land, and it has encouraged investments in renewable energy sources. Most states for decades have given preferential property tax treatment to the owners of forest land and farmland, and they have offered tax incentives to companies that invest in pollution treatment facilities. However, as this survey indicates, states are also experimenting with a number of more innovative tax and fee mechanisms.

This inventory gives an overview of the provisions that the New England states and New York have already enacted. Its scope is defined by the following factors:

- The inventory describes measures taken by state governments in New

England and New York. Beyond briefly setting the context of federal legislation where appropriate, it does not survey federal tax and fee mechanisms.

- The inventory focuses on tax mechanisms that have an environmental feature, either because they are linked to an environmentally advantageous or disadvantageous activity or because they generate funds dedicated to environmental purposes. On occasion, however, the inventory includes taxes that were not enacted as environmental taxes, most notably gasoline taxes, but which have often been discussed as potentially serving an environmental role.
- The inventory covers environmental tax mechanisms that reduce the tax burden (to create an incentive) and those that increase the tax burden (to create a disincentive or to generate revenues to address the environmental problem). It does not, however, describe provisions in the states' tax codes that have an adverse effect on the environment.
- The inventory identifies mechanisms that are either called taxes or function much like taxes (such as fees). It does not, however, try to identify all market-based approaches used by the states, such as emissions trading programs.
- The inventory is based on a review of the language of state statutes and does not delve into the legislative history behind the provisions.
- The inventory describes the mechanisms in brief detail and provides the statutory citations for further details. It does not attempt to determine the environmental effectiveness of these mechanisms.

As the inventory shows, taxation can be applied to a wide range of environmental challenges -- reducing sources of air and water pollution, managing hazardous and solid waste, minimizing water pollution, protecting undeveloped land and its natural resources, and conserving marine resources. The following chart summarizes the tax mechanisms described in this report, the environmental problems they address, the states that are using them, and the instances in which revenues from the taxes are dedicated to environmental purposes.

We encourage you to contact us if you are aware of any environmental tax or fee mechanisms that have not been included, but might be included, and any information that you have about the effectiveness of these approaches to environmental problems in the New England states and New York.

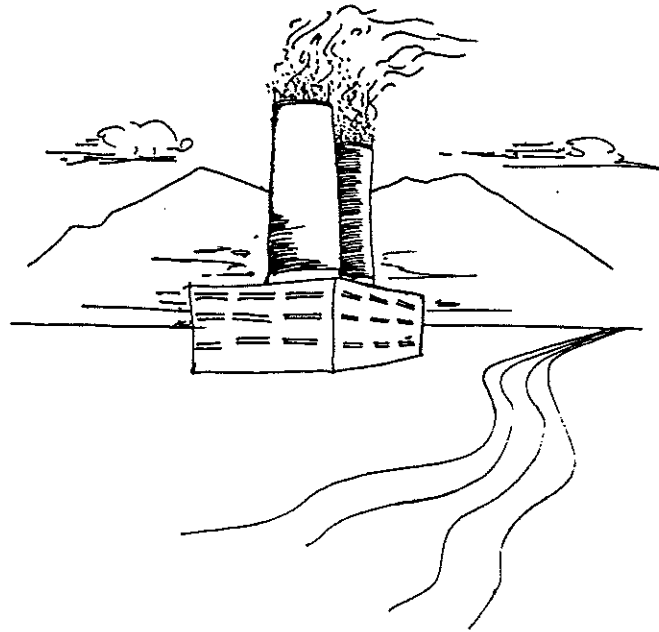
	CT	ME	MA	NH	NY	RI	VT
Reducing Point Source Pollution: Air/Water/Industrial Waste Facilities							
Tax Incentives:							
Tax Credit	X				X		
Amortization			X			X	
Property Tax Exemption	X	X	X	X	X	X	X
Sales Tax Exemption	X	X					
Air Contaminant Fees	X*	X*			X*		X*
Water Discharge Fees							X
Managing Hazardous Waste							
Property Tax Relief for Recycling Facilities						X	
Fees on Waste Generators	X*			X*	X*		X*
Fees on Waste Facilities	X				X		
Property Tax Charge for Polluted Land	X						
Managing Solid Waste							
Fees on Treatment/Disposal Facilities	X*		X	X*			X
Tax on New Vehicle Tires	X					X*	
Tax on Hard-to-Dispose Materials		X*				X*	
Deposit-Refund for Batteries	X					X	
Deposit-Refund for Tires						X	
Deposit-Refund for Beverage Containers	X	X	X				X
Tax on Beverage Containers					X*	X*	
Fines for Newsprint Nonrecycling	X*						

*indicates that the revenues generated by the tax are dedicated to certain uses.

	CT	ME	MA	NH	NY	RI	VT
Bonus for Waste Management Proposals						X	
Funding Petroleum Clean-up							
Oil Terminal Fee		X*		X*			
Oil Transfer Fee		X*					
Automotive Oil Fee				X*			
Oil Transport Fee				X*			
Heating Oil Fee				X*			
Underground Storage Tank Fee		X*				X*	
Reducing Fossil Fuel Use in the Transportation Sector							
Traditional Motor Vehicle Fuel Taxes	X	X	X	X	X	X	X
Van Pool Vehicle Tax Incentives:							
Property Tax Exemption	X						
Gas Tax Refund	X						
Registration Fee Exemption			X				
Excise Tax Exemption			X				
Tax Credit for Transportation Management Program	X						
Alternative Fuel Vehicle Incentives:							
Sales Tax Exemption for Vehicles and Refueling Equipment	X				X		
Tax Credit for Filling Stations	X						
Tax Credit for Converting Vehicles	X						
Franchise Tax Exemption for Alter- native Fuel Vehicle Companies	X						

	CT	ME	MA	NH	NY	RI	VT
Reducing Fossil Fuel Usage in the Energy Sector							
Renewable Energy Investment Incentives:							
Property Tax Exemption	X		X		X	X	
Accelerated Depreciation			X				
Sales Tax Exemption			X				
Income Tax Credit			X				
Franchise Tax Exemption	X		X				
Income Tax Deduction for Patent Revenue			X				
Tax Credit for Investments in Community Conservation Projects	X						
Maintaining Undeveloped Land							
Property Tax Relief	X	X	X	X	X	X	X
Tax Credit for Forest Management		X					
Property Taxation of Land under Easement		X		X			
Farmland Gift Tax Exemption	X						
Charitable Transfer Tax Exemption		X					
Tax on Speculative Gains							X
Protecting Marine Resources							
Seed Oyster Assessment	X*						
Sardine Tax		X*					
Quahog Tax		X*					

II. REDUCING POINT-SOURCE AIR AND WATER POLLUTION



The Context

Point-source pollution of air and water has been a major focus of environmental regulation in the United States over the past three decades. Through the Clean Air Act, the Clean Water Act and the Ocean Dumping Act, the federal government has established a regulatory regime designed to establish and achieve air and water quality standards. A significant part of the regulatory effort has focused on limiting the pollution from significant contributors to the air and water problems, such as industrial facilities, power plants, and sewage treatment plants.

Environmental tax and fee mechanisms in New England and New York play two different roles in this arena. An array of state tax incentives offer preferential tax treatment for investments in pollution control facilities. Although the incentives vary from state to state, they all serve to improve the financial position of taxpayers who invest in environmentally beneficial equipment. In addition, some states are starting to impose tax increases or fees on emissions of air pollutants or discharges of water pollutants. Even though these emissions or discharges are permitted by law, raising the cost of the pollutants through taxes can create a financial incentive to reduce emissions

and/or serve as a means of funding regulatory administrative and compliance programs.

A. Tax Incentives for Investments in Pollution Control Facilities

With the federal and state pollution control and treatment requirements that resulted from the Clean Air Act and the Clean Water Act, many taxpayers have found themselves incurring additional expenses to ensure compliance or to further reduce their pollution levels. Many of the New England states have enacted tax measures that help reduce the additional cost by offering a partially compensating tax benefit. These tax incentives have taken the form of tax credits based on the cost of investment in the pollution control facilities, amortization of the cost of the investment, property tax exemptions for the value of the pollution control equipment and sales tax exemptions for the purchase of the equipment.

1. Tax Credits

Connecticut and New York offer tax credits for investments in facilities that control air pollution and treat industrial waste.

Connecticut In Connecticut, corporations can claim a tax credit against the Connecticut business tax (a tax on income) for costs incurred for the construction, rebuilding, installation or expansion of air pollution abatement facilities and facilities for the treatment of industrial waste. Certain communications businesses and utility companies can claim a similar tax credit against their gross earnings tax. The tax credit is equal to 5 percent of the cost, including planning costs. In order to qualify for the credit, the facility must be approved by the Commissioner of Environmental Protection. For industrial waste treatment facilities, there is a four year carryover provided for any excess credit over tax due; a nine year carryover is provided for the credit for air pollution control equipment. (CONN. GEN. STAT. §§ 12-217c, 12-217d, 12-258b, 12-265b, 12-265c).

New York New York provides a tax credit for investments in air pollution control facilities and industrial waste treatment facilities used in a corporate or individual taxpayer's trade or business. To qualify for the credit, the facility must be depreciable property under Section 167 of the Internal Revenue Code, have a useful life of at least four years, and be certified by the State Commissioner of Environmental Conservation. The credit for these facilities is part of a broader investment tax credit and is equal to 4 percent of an individual taxpayer's investment and 5 percent of a corporate taxpayer's investment (or 4 percent when investments exceed \$350 million). (N.Y. TAX LAW §§ 210(12), 606(a))

2. Amortization

Rhode Island Rhode Island allows corporate and individual taxpayers to take an accelerated amortization deduction for investments in in-state facilities that are installed to treat waste water and air pollutants from industrial processing. The amortization deduction allows taxpayers to deduct the cost over 60 months in lieu of claiming the depreciation deduction that otherwise would be available. Individual taxpayers claim the deduction when determining their individual income tax, and corporate taxpayers take it when determining their business corporations tax (a tax on net income). The deduction applies only to facilities that are in furtherance of or in compliance with federal or state pollution requirements or standards and that are certified by the State Director of Environmental Management. (R.I. GEN. LAWS §§ 44-11-11.1, 44-30-7).

Massachusetts Massachusetts allows corporate taxpayers to immediately deduct the full cost of industrial air pollution control facilities and industrial waste treatment facilities, but the deduction was available only for the full amount of costs paid or incurred between 1972 and 1980 for the installation or acquisition of equipment used to treat industrial waste. (MASS. GEN. LAWS ANN. ch. 63 § 38D)

3. Property tax exemption for air pollution control facilities

Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont These states exempt from the property tax structures, buildings, devices or any other equipment which is acquired or constructed for the purpose of abating, preventing or eliminating industrial pollution of the atmosphere. Most of these states make the exemption available to the extent of the full value of such property when its sole purpose is air pollution abatement, and available in a prorated amount when only a portion of the property is used in air pollution abatement. New York, however, provides the exemption only for the increase in the property's value resulting from the construction or installation of the air pollution control facility. In all states that provide the exemption, the property must be certified to qualify. In Rhode Island, the property may be exempt for as long as it is operated in accordance with terms provided in the approval order, but any exemption for a period in excess of ten years must be approved by the city or town in which the facility is situated.

Statutory References

ME. REV. STAT. ANN. tit. 36 §§ 655(1)(N), 656(1)(E)

MASS. GEN. LAWS ANN. ch. 59 § 5 cl. 44

N.H. REV. STAT. ANN. § 72:12-a

N.Y. RPTL LAW § 477-a

R.I. GEN. LAWS § 44-3-3(21)

4. Property tax exemption for water and industrial waste pollution control facilities

A number of New England states exempt from the property tax certified structures or equipment that control water pollution or industrial waste pollution. Most require that the primary purpose be the treatment of industrial waste or other water pollutants, and they all require that the state must certify that the facilities qualify.

Connecticut Qualifying structures must be used primarily for the treatment of industrial waste prior to discharge into any state body of water or for sewage systems emptying into a body of water. Owners of eligible property are required to file a one-time application and, thereafter, the property will be exempted from property taxes. If the exempted structures are altered in any significant way, a reapplication may be required. (CONN. GEN. STAT. § 12-81(51))

Maine Qualifying water pollution control facilities will be exempt from property tax if they have a capacity to handle and treat at least 4,000 gallons of industrial, commercial or domestic waste per day. Additionally, any component parts, accessories or materials used for the maintenance and repair of such facilities will also be exempted. (ME. REV. STAT. ANN. tit. 36, §§ 655(1)(N), 656(1)(E))

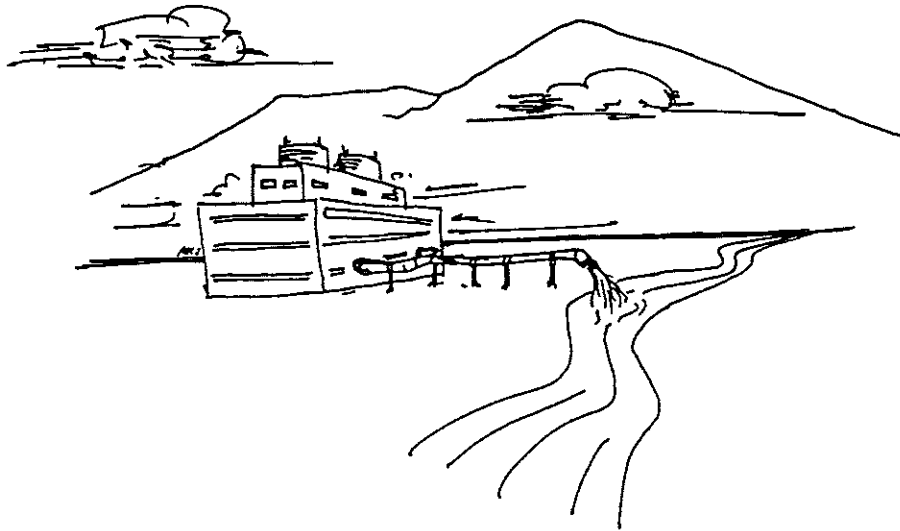
Massachusetts Massachusetts exempts property that reduces water pollution by treating industrial wastes. The exemption is available to the full extent of the property's assessed value unless only a portion of the property is used in the waste treatment process. In that case, the exemption is only available for a corresponding portion of its full value. (MASS. GEN. LAWS ANN. ch. 59 § 5 cl. 44)

New Hampshire Water pollution control facilities and the land on which they sit may be exempted from property tax assessment. The property owner is required to file an application with the Division of Water Supply and Pollution Control. The water pollution control facility is then exempted from property tax assessment for a period of up to 25 years. Like Massachusetts, if the facility is only partially devoted to water pollution abatement, the amount eligible for the exemption is the value attributable to the pollution control property. (N.H. REV. STAT. ANN. § 72:12-a)

New York New York exempts industrial waste treatment and management facilities constructed to comply with state or federal standards. In the first year, the amount of the exemption is equal to the increase in the value of the property as a whole as a result of the construction or addition of the pollution control facilities. That amount is reduced by ten percent increments over the subsequent nine years. (N.Y. RPTL LAW § 477)

Rhode Island This exemption is available for water pollution control facilities and equipment that treat industrial processing contaminants and were placed into operation for the first time after April 13, 1970. (R.I. GEN. LAWS § 44-3-3(21))

Vermont Vermont exempts property used to abate pollution of waters in the state that are within the purview of the New England Interstate Water Pollution Control Compact. (VT. STAT. ANN. tit. 32 §§ 3802(12))



5. Sales and use tax exemption for pollution control equipment

Connecticut, Maine In Connecticut and Maine, the sales and use tax does not apply to sales or other transactions involving personal property incorporated into or consumed in air and water pollution control facilities. To qualify for exemption as air pollution control property, state environmental officials must certify that the primary purpose of the property is the reduction, control, or elimination of air pollution. Property qualifying as water pollution control equipment or facilities, which must also be certified, includes any disposal system or treatment works or machinery constructed or installed primarily for the purpose of reducing, controlling or eliminating water pollution caused by industrial or other waste. (CONN. GEN. STAT. §§ 12-412(21), (22); ME. REV. STAT. ANN. tit. 36 §§ 1760(29), (30))

B. Fees on Emissions

Under federal law, the owners of certain point-source facilities must file for operating permits that set permissible levels for the emission of pollutants into the air and the discharge of pollutants into water bodies. Some New England states have imposed taxes or fees on these permitted emissions and discharges. These fees or taxes are based on the volume of actual or permitted pollutants and are imposed in addition to other administrative permitting fees.

In the case of air pollutants, these fees have been enacted pursuant to the 1990 amendments to the Clean Air Act, which established a new permitting program. Under this program, states are supposed to collect at least \$25 per ton of regulated pollutant and to use the proceeds to cover the costs associated with the development and administration of the permit program. As indicated below, several of the New England states have enacted fees on air pollutants under this program. The Clean Water Act does not have a comparable fee provisions, although states of course have the ability to enact such fees, as Vermont has chosen to do.

1. Fees on Air Contaminant Emissions

Connecticut Using its regulatory authority, Connecticut has imposed a fee on regulated emissions pursuant to the Clean Air Act requirements. The fee is based on the source's actual emissions and is assessed at the rate of \$25 per ton, adjusted for inflation and adjusted by an "inventory stabilization factor." The inventory stabilization factor ensures the revenues generated by the fee will match the relatively stable funding needs of the air pollution control program by increasing the fees as emissions decline or decreasing the fees if emissions increase. (CONN. REGULATIONS § 22A-174-26)

Maine Maine's annual fee for air contaminant emissions is based on the amount of all licensed allowable air pollutants, other than carbon monoxide, that are to be emitted. The rate scale is as follows: \$5 per ton for every ton of annual licensed emissions up to the first 1,000 tons; \$10 per ton for 1,001 - 4,000 tons; and \$15 per ton for every ton over 4,001. This section also sets out a minimum fee of \$100 per year and a maximum fee of \$50,000 per year.

There is an additional annual fee surcharge of \$10 per every 1,000 air quality units. The number of air quality units is determined by multiplying the toxicity score for a hazardous air pollutant by the estimated emissions of that hazardous air pollutant. The toxicity score is set by the Department of Human Services based on a number of factors. Revenues collected through annual air emission fees are used solely for air pollution control activities. (ME. REV. STAT. ANN. tit. 38 §§ 353-A, 581 to 610-A)

New York An annual operating permit program fee is imposed on air contaminant sources. New York explicitly requires that the fee shall not exceed \$25 per ton adjusted for inflation, up to 6,000 tons annually for each regulated contaminant. The fee is based on the direct and indirect costs associated with the operating permit program and is calculated by dividing the amount of the current year appropriation by the total tons of emissions of regulated air contaminants from regulated sources. Sources pay the fee based on actual emissions. (N.Y. ECL § 72-0303)

Vermont Vermont levies an emissions fee through its permitting and annual registration process for owners and operators of air contaminant sources. Fees are calculated per pound of emissions of sulfur dioxide, particulate matter, carbon monoxide, nitrogen oxides and hydrocarbons. For facilities that generate more than five tons of contaminants per year, the rate for fees is \$.015 per pound; facilities generating more than 10 tons per year pay the fees at the same rate but, in addition, pay an \$800 base fee. (VT. STAT. ANN. tit. 3 § 2822(j)(1)(B))

2. Fees on Water Discharges

Vermont Vermont imposes fees on persons who discharge wastes into lakes, rivers, reservoirs or other waters of the state pursuant to a discharge permit. These fees are in addition to the permit application and renewal fees. They are based on the volume and types of wastes which the permitted facility is capable of discharging.

The fee is imposed at a rate of:

\$0.002 per gallon per day of design capacity for general municipal or industrial discharges;

\$0.00005 per gallon per day of design capacity for cooling water or thermal discharges;

\$0.10 per gallon per day of design capacity for pretreatment discharges;

\$125.00 per acre of impervious surface for storm water discharges (\$1,000 per acre in Class A Watershed);

\$0.07 per gallon of design capacity above 6,500 gpd for indirect sewage discharges;

\$0.05 per gallon of design capacity for indirect nonsewage discharges.

(VT. STAT. ANN. tit. 3 § 2822(j)(2); tit. 10 §§ 1251 to 1283)

III. HAZARDOUS WASTE MANAGEMENT

The Context

During the twentieth century, the United States has dramatically increased the volume of its industrial activity and the range of products and services it produces. This growth has been accompanied by an increased stream of toxic or hazardous wastes. The risks associated with these wastes came into the spotlight in the late 1970s as the problems of Love Canal became headlines.

Under the Resource Conservation and Recovery Act (RCRA), the federal government now identifies wastes determined to be hazardous. Generators and transporters of these wastes are required to maintain records of hazardous waste production, use and transfer, and federal law limits the ability to dispose of untreated hazardous waste. This manifest system allows hazardous waste to be traced from its "cradle to its grave."

As in the case of point-source air and water pollution, state tax systems can encourage the recycling or reuse of hazardous waste by lightening the financial burden of investing in recycling facilities, such as Rhode Island's property tax exemption for qualifying facilities. In addition, states can impose fees on hazardous waste when it is generated or received at the point of disposal, a path chosen by Connecticut, New Hampshire, New York and Vermont. These fees generally apply to wastes identified as hazardous waste under RCRA, and the revenues from these fees often are dedicated to solving hazardous waste problems.

A. Property Tax Incentive for Hazardous Waste Recycling Facilities

Rhode Island Facilities that recycle, reuse or recover hazardous waste generated by the taxpayer are exempt from property tax. The facilities must be located on or adjacent to the property where the hazardous waste is generated and the waste must be generated primarily by the taxpayer. (R.I. GEN. LAWS § 44-3-3(26))

B. Fees on Hazardous Materials

State fees on hazardous waste have been imposed on the individuals or businesses that first generate the waste, creating a financial incentive to prevent the pollution and providing a means of funding efforts to clean up hazardous waste sites. Fees have also

been imposed on the operations responsible for treating or disposing of hazardous wastes. These fee systems often exempt hazardous wastes that are recycled.

1. Fees on hazardous waste generators

Connecticut Connecticut imposes a quarterly fee on in-state generators of hazardous waste and generators shipping hazardous waste to treatment or disposal facilities within the state. The fee for metal hydroxide sludge from waste water treatment of electroplating or metal finishing operations is imposed at a rate of 5¢ per gallon, 0.5¢ per pound, or \$10 per cubic yard. The fee for any other hazardous waste required to be accounted for on a manifest is imposed at a rate of 6¢ per gallon, 0.75¢ per pound, or \$12 per cubic yard. A generator or operator who fails to file a quarterly return or submit the assessment due is subject to a penalty fine of 10 percent of the amount due or \$50, whichever is greater. Certain hazardous wastes are exempted from this assessment, including wastes which are recycled, residue wastes which are the result of a RCRA-approved treatment process, and wastes which have already been subjected to this assessment at an earlier stage. Revenues are deposited in the Emergency Spill Response Fund. (CONN. GEN. STAT. §§ 22a-132, 22a-451)

New Hampshire Hazardous waste generators in New Hampshire pay an assessment based on the volume of waste they generate in a quarterly period if they produce at least 300 kilograms (661.5 pounds) of unrecycled hazardous waste in an average 3 month period. The fee is based on the volume of waste generated, not to be levied at a rate greater than 6.6¢ per kilogram (3¢ per pound). However, no generator subject to this assessment will pay a fee less than \$50 per quarter. Recycled hazardous wastes, municipal wastes processed by incinerators and sludge from publicly owned treatment facilities are exempted from this assessment. Revenues collected through the imposition of this assessment are to be deposited in the Hazardous Waste Cleanup Fund. (N.H. REV. STAT. ANN. §§ 147-B:2, 147-B:8)

New York New York imposes a special assessment on all generators of hazardous waste. The rate of assessment is based on the volume of waste generated and its intended destination:

\$27 per ton for waste disposed at a landfill, regardless of whether it is ever removed from the site on which it is generated;

\$9 per ton for waste removed from the generation site to be immediately or eventually incinerated;

\$2 per ton for waste incinerated at the generation site;

\$16 per ton for waste removed for treatment or other disposal;

The assessment is due and payable upon the filing of quarterly returns. Failure to file a return or submit an assessment subjects the generator to a penalty fine of 25 percent of the estimated amount past due, plus interest of 15 percent per year. Revenues generated by the assessment are placed in the Hazardous Waste Remedial Fund. (NY ECL LAW § 27-0923)

Vermont Vermont imposes a tax on generators of hazardous waste subject to the RCRA manifest requirements. The tax rate depends on the ultimate use or destination of the waste:

11¢ per gallon of liquid or 1.4¢ per pound of solid for hazardous waste that will be reclaimed, recycled or recovered for a beneficial purpose;

22¢ per gallon of liquid or 2.8¢ per pound of solid for hazardous waste destined for other treatment;

33¢ per gallon of liquid or 4.2¢ per pound of solid for hazardous waste destined for long-term storage (one year or more);

44¢ per gallon of liquid or 5.6¢ per pound of solid for hazardous waste destined for land disposal or land treatment.

The tax does not apply to certain categories of waste, such as hazardous waste that meets pretreatment standards and is discharged to a public sewage treatment plant and hazardous waste generated by a taxpayer who produces less than 220 pounds of hazardous waste per month per site. Generators of waste must file quarterly returns, and the tax is due upon receipt of a bill based on those returns. Revenue collected pursuant to these assessments is deposited in Vermont's Account for Hazardous Waste Management. (VT. STAT. ANN. tit 32 § 10103)

2. Fees on hazardous waste facility operators

Connecticut The owners or operators of hazardous waste treatment facilities are required to pay a quarterly assessment to the municipality in which the facility is located. The facility owner or operator may elect to either pay an assessment based on the volume of hazardous waste materials received for treatment during the taxable quarter or to pay an assessment based on the facility's gross receipts for that quarter. The volume-based assessment is 5¢ per gallon or \$3.50 per cubic yard of hazardous waste received. The

income-based assessment scale is:

<u>Quarterly Gross Receipts</u>	<u>% Paid as Assessment</u>
\$0 - \$1,250,000	10
\$1,250,000 - \$2,500,000	5
\$2,500,000 and over	2.5

The municipality may opt to negotiate directly with the facility owner in lieu of charging a quarterly assessment. Local project review committees may decide that requiring a proposed facility to purchase a greenbelt buffer is more useful for safety and aesthetic reasons. Other possibilities include direct payments by the facility to abutting landowners for the diminution of property value, payment of road repair costs or for fire equipment that may be warranted due to facility operations, or development of other open space or recreational areas within the municipality. A municipality may not, however, require the facility to pay more through a negotiated settlement than it would be required to pay under either of the assessment formulae. (CONN. GEN. STAT. § 22a-128)

New York New York imposes a special assessment on the owners or operators of facilities which store, treat or dispose of hazardous waste materials that have not been subject to the tax on hazardous waste generating described above. The amount and rate of the assessment is determined based on the volume and means of disposal the hazardous waste received by such a facility.

Hazardous waste:

\$27 per ton for waste received for disposal at a landfill;

\$9 per ton for waste received for eventual or immediate incineration;

\$16 per ton for waste received for treatment or other disposal.

No special assessment is imposed on hazardous waste received by a resource recovery facility, although any material remaining after the resource recovery process is assessed as any other hazardous waste material. The assessment is due and payable upon the filing of quarterly returns, and failure to file a return or submit an assessment subjects the facility operator to a penalty fine of 25 percent of the estimated amount due, plus interest at 15 percent per year. (N.Y. ECL LAW § 27-0923)

C. Property Tax Charge for Polluted Land

The survey of environmental tax and fee measures found one other provision that relates to hazardous waste as well as other forms of pollution -- a property tax penalty

on land that has decreased in value due to a polluted condition.

Connecticut Property is ordinarily assessed for property tax purposes on the basis of its fair market value. However, if the owner caused a polluted or environmentally hazardous condition to exist on the property or if a successor in title to such owner acquired such property after any notice of the existence of any such condition was recorded, then the assessor will not reduce the value of the property to account for its polluted condition. This provision was designed to eliminate the benefit of lowered property tax assessments to polluters. (CONN. GEN. STAT. § 12-63e)

IV. MANAGING SOLID WASTE

The Context

Just as the growth of the American economy has produced an increasing volume of hazardous waste, it has also produced vast quantities of solid waste. Regulation of the disposal of solid waste traditionally has fallen within the purview of state and local governments, but the federal government has established some parameters under the Resource Conservation and Recovery Act (RCRA). RCRA prohibits the open dumping of solid waste except in sanitary landfills, and it charges EPA with establishing guidelines for state solid waste management plans and setting minimum standards for municipal landfills.

Environmental taxes are not an explicit component of the RCRA regime, but a number of states have used market-based approaches when designing their state plans. Some states increase the cost of solid waste by imposing a volume-based fee that is paid by the operator of the recovery or disposal facilities. States have also used taxes and fees to increase the cost of certain materials that particularly contribute to the solid waste problem, and some have established deposit-refund systems to encourage recycling of containers or the proper disposal of certain products, such as batteries.

A. Fees on Solid Waste at Time of Disposal

Connecticut, Massachusetts and Vermont require the owners or operators of certain solid waste recovery or disposal facilities to pay the state a fee based on the volume of waste received or processed at the facility. In Connecticut and Vermont, these fees are due and payable upon the filing of quarterly returns containing the amount and type of waste received for that quarter. Massachusetts imposes these fees only on private facility owners and operators, who are then taxed on a yearly basis. New Hampshire imposes a fee on waste generated out-of-state and brought into New Hampshire for disposal in New Hampshire.

Connecticut Connecticut imposes a fee on the owners of resource recover facilities at the rate of \$1 per ton of solid waste. Owners or operators who fail to file a return or submit the assessment due are subject to a penalty fine equal to the greater of 10 percent of the amount past due or \$50, plus interest at 1½ percent. Revenues generated from this assessment are deposited in Connecticut's Solid Waste Account

within the Environmental Quality Fund. A portion of these funds is slated to carry out stack testing for dioxin and furan emissions, as well as such testing of ambient air, soil and surface waters. (CONN. GEN. STAT. §§ 22a-232, 22a-233)

Connecticut also imposes a fee on the owners or operators of solid waste land disposal facilities. They are required to pay a quarterly fee of 50¢ per ton of solid waste received for storage or disposal. The fee is paid to the municipality in which the landfill is located. (CONN. GEN. STAT. § 22a-220b)

Massachusetts Massachusetts imposes a tax on the operators of privately owned or operated resource recovery facilities or landfills. The rate of tax when first imposed in 1981 was \$1 per ton of solid waste received and has increased yearly by the percentage increase in the Boston Consumer Price Index. This assessment is paid to the municipality in which the facility is located in lieu of other fees or taxes that may be imposed by the town, excluding property tax on the land on which the facility is located. (MASS. GEN. LAWS ANN. ch. 16 § 24A)

New Hampshire New Hampshire's Division of Waste Management assesses a surcharge on solid waste that has been generated out-of-state and is to be disposed of in-state. The surcharge is levied at a rate of \$1 per ton of waste and is collected from the transporter when the waste is deposited at its destination. The proceeds are used to offset general fund expenditures for solid waste management. (N.H. REV. STAT. ANN. § 149-M:3, IV-b)

Vermont Vermont imposes a tax on the operators of solid waste management facilities as well as transfer stations that send waste out-of-state. The fee is imposed at the rate of \$2.40 per cubic yard of waste delivered to the facility, but the taxpayer may elect to pay by the ton at a rate of \$6.00 per ton. Municipal solid waste districts may elect to pay instead a tax of \$3.50 per year per person served by the facility. Hazardous wastes subject to Vermont's hazardous waste tax are exempted from inclusion in the computation of this tax, as are wastes which are to be delivered to a recycling facility. In addition, facility owners or operators may exclude roadside wastes accepted on a Vermont Green Up Day. (VT. STAT. ANN. tit. 32 § 5952)

B. Taxes and Fees on Products at Time of Purchase

Some materials pose particular solid waste problems, such as products that do not readily decompose (tires, glass bottles), products that contain substances that may damage the environment (batteries), and products that can consume tremendous amounts of landfill capacity (newsprint). The New England states and New York have used various

tax, fee and deposit-refund systems that achieve varying goals. For example, some of the fees or taxes are used to finance efforts to solve disposal problems, and others are designed to encourage recycling.

1. Sales tax on new vehicle tires

Connecticut and Rhode Island impose a tax on the sale of new motor vehicle tires. In both states, retailers are required to file returns (in Connecticut they are quarterly, in Rhode Island yearly) indicating the number of new tires sold during the previous quarter.

Connecticut The tax is imposed at the rate of \$2 per tire until the tax expires on July 1, 1997. Failure to file a return or to submit the tax due may result in a penalty fine of 10 percent of the amount past due or \$50, whichever is greater, plus interest at 1½ percent. (CONN. REV. STAT. § 22a-256j)

Rhode Island The tax is imposed at a rate of 75¢ per tire. Revenue derived from the tire fee is to be deposited in the Tire Site Remediation Account used to assist cities and towns with the cleanup, recycling and disposal of tires in existing tire piles. (R.I. GEN. LAWS §§ 23-63-4.1 to 23-63-4.3)

2. Sales tax on hard-to-dispose materials

Maine and Rhode Island impose taxes on the retail sale of a range of items that were found to significantly contribute to nondegradable litter and solid waste. The same tax is imposed as a use tax on the storage or other use of these items if the sales tax has not yet been imposed.

Both states have established special funds for the revenues derived from these taxes. Maine deposits the revenue into the Maine Solid Waste Material Fund and Rhode Island deposits the revenue into its Hard to Dispose Material Account.

Maine

The items and rate of tax for each are as follows:

new tires	\$1 per tire
new lead-acid batteries	\$1 per battery
new major appliances	\$5 per appliance
new major furniture items	\$5 per furniture piece/set
new mattresses and bathtubs	\$5 per mattress/bathtub

Rhode Island

The items and the rate of tax for each are as follows:

lubricating oils	5¢ per quart
antifreeze	10¢ per gallon
organic solvents	.25¢ per gallon
motor vehicle tires	50¢ per tire
new motor vehicles	\$3.00 each (paid to registry at time of titling)

(ME. REV. STAT. ANN. tit. 36 § 4832; R.I. GEN. LAWS. § 44-44-3.7)

3. Deposit-refund system for batteries

Connecticut, Rhode Island Connecticut and Rhode Island require a \$5 deposit on the sale of new motor vehicle batteries. In Rhode Island, this deposit applies only to the sale of batteries that are six volts or more and under one hundred and fifty pounds in weight. The deposit is paid by the consumer at the time of purchase and is refunded by the retailer if the consumer returns with a used motor vehicle battery within 30 days of the sale. (CONN. GEN. STAT. § 22a-256h; R.I. GEN. LAWS § 23-60-1)

4. Deposit-refund system for tires

Rhode Island requires retailers to collect a \$5 deposit on each vehicle tire purchased. The deposit is fully refundable if the customer delivers a used tire to the retailer within 14 days, but the retailer can keep any deposits not reclaimed within 14 days. The retailer is responsible for disposing of the used tires. (R.I. GEN. LAWS § 23-63-4.9)

5. Deposit-refund system for beverage containers

Connecticut, Maine, Massachusetts, Vermont These states charge a 5¢ deposit on the sale of glass, metal or plastic beverage containers. The deposit is paid by the consumer and refunded by the retail dealer or distributor upon return of the empty container. Retail dealers may be reimbursed by the distributor or manufacturer.

Other terms of the deposit system can vary from state to state. For example, in Maine a 15¢ per container deposit is charged for wine and spirits containers holding

more than 50 milliliters. Maine also makes provision for increasing this charge to 25¢ if it finds that the return rate for these types of containers is less than 60 percent. In Massachusetts distributors and bottlers are required to turn over any deposit amounts deemed to be abandoned to the commissioner of revenue on a monthly basis. These amounts are deposited in the Clean Environment Fund to be used for recycling, composting and solid waste reduction projects.

Statutory References

CONN. GEN. STAT. § 22a-244

ME. REV. STAT. ANN. tit. 32 §§ 1861 to 1872

MASS. GEN. LAWS ANN. ch. 94 §§ 321 - 325

VT. STAT. ANN. tit. 10 §§ 1521 to 1527

6. Tax on beverage containers

New York New York imposes a tax of 2¢ per container on the sale of beverage containers to retail dealers. Beverage manufacturers, distributors or dealers engaged in the wholesale of beverage containers are required to register with the Commissioner of Taxation and Finance as "container sale initiators." Container sale initiators are required to file quarterly returns containing the volume of sales and tax due for that quarter. Revenues derived from this tax are to be deposited in the Twenty-first Century Environmental Quality Debt Service Fund. (N.Y. TAX LAW §§ 446 to 448)

Rhode Island Rhode Island imposes a tax of 4¢ per case of beverage containers on wholesalers at the time of sale to retailers or to consumers. This tax provides funding for Rhode Island's Litter Reduction and Recycling Program and for the Hard to Dispose Materials Control and Recycling Program. (R.I. GEN. LAWS § 44-44-3)

C. Other Incentives for Waste Reduction

The following two provisions are less like the tax or fee mechanisms described elsewhere in this report. They are included here, however, because they operate as financial incentives akin in some respects to tax incentives.

1. Fines for noncompliance with newsprint recycling goals

Connecticut Connecticut has established a regulatory program to meet recycling goals for newsprint and telephone directories and to penalize individual publishers or printers who fail to meet the goals for use of recycled paper. The percentage goals for recycling are established on an industry-wide basis, but there are no immediate penalties

imposed on individual businesses for failure to meet these goals. However, if the goals are not met by the each industry, then each industry member will be required to meet the overall recycling goal in their own business.

If, in the following year, any individual fails to meet the percentage goals, a fine is imposed on that member's shortfall. The rate of the fine is \$5 per ton for each ton of recycled fiber that would be needed to reach the percentage goals. In no case should a fine imposed under this system be less than \$2,500 or more than \$100,000. Revenues collected from the fines are deposited in the Municipal Solid Waste Recycling Trust Account. (CONN. GEN. STAT. §§ 22a-256m through 256t, 256y through 256ee)

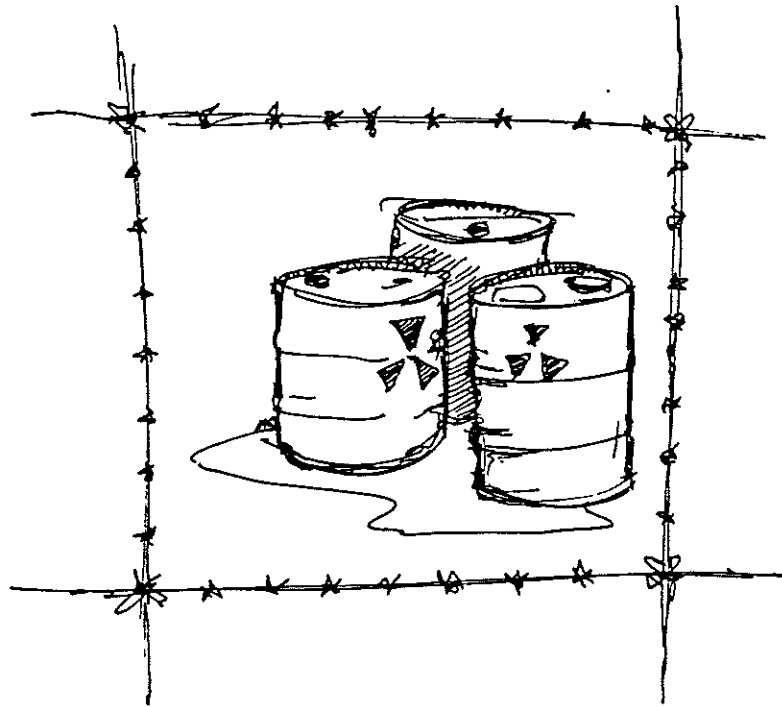
2. Bonus for development of solid waste management proposals

Rhode Island Rhode Island established its Bonus Incentive Program to provide incentives for the development of solid waste management proposals. The program calls for payments of \$100 to persons who submit plans that are eventually implemented by the state's solid waste management corporation or by any other corporation if the plan would significantly reduce the flow of solid waste within the state or provide for more efficient recycling or re-use of any solid waste materials. (R.I. GEN. LAWS § 23-19-33)

V. FINANCING PETROLEUM CLEAN-UP

The Context

One of the inevitable consequences of heavy reliance on petroleum products in the transportation and industrial sectors is that occasionally some of the products escape into the environment -- whether as a result of tanker accidents, leaks from storage tanks into the ground water, or the careless disposal of motor oil. A number of the New England states impose taxes on petroleum products that are used to finance governmental clean-up efforts.



Maine

Maine generates funds for its **Coastal and Inland Surface Oil Clean-up Fund** through its oil terminal facility fee. It imposes a fee of 3 cents on each barrel of unrefined crude oil, refined oils (such as fuel oils, gasoline, diesel and jet fuel) and other fuels (such as liquid asphalt). The tax is paid by licensed operators of oil terminal facilities whenever they import more than 25 barrels of oil into Maine at any one time. The tax is suspended whenever the Clean-up Fund reaches its \$6 million limit. (ME. REV. STAT. ANN. tit. 38 § 541 *et seq.*)

Maine funds its **Ground Water Oil Clean-up Fund** through an oil transfer fee. The fee is imposed on the transfer of oil by an oil terminal facility (or the first person to transport the oil into Maine) to the next person in the distribution chain. The fees are 44¢ per barrel of gasoline, 25¢ per barrel of refined petroleum products and by-products, and 4¢ per barrel of #6 heating oil. The owners or operators of certain underground oil storage facilities must pay an annual fee of \$130 per tank. These fees will expire December 31, 1999. The Ground Water Clean Up Fund is required to transfer a portion of the revenues into the Finance Authority of Maine. When an aggregate sum of \$13 million has been transferred, the per barrel fees will be reduced by 6 cents. When the balance in the Clean Up Fund reaches \$12.5 million, the fees will be abated. (ME. REV. STAT. ANN. tit. 38 § 569-A)

New Hampshire

The New Hampshire **Oil Discharge and Disposal Cleanup Fund** is financed by fees on distributors who transport oil into New Hampshire. They pay a tax of 15¢ per gallon of oil at the time of importation. The oil subject to tax includes gasoline and diesel products, but it does not include natural gas, liquified petroleum gas, synthetic natural gas or products used for heating. The fees are discontinued when the fund's balance exceeds \$10 million and reestablished when the balance falls below \$5 million. (N.H. REV. STAT. ANN. § 146-D:3)

The New Hampshire **Fuel Oil Discharge Cleanup Fund** is funded by a .2¢ per gallon fee on operators, distributors, dealers, brokers and terminal facilities that store heating fuel oil products on their premises. Fuel stored for the generation of electric power is not subject to tax. The fee is suspended when the fund balance exceeds \$5 million and reestablished when the fund balance falls below \$4 million. (N.H. REV. STAT. ANN. § 146-E:3)

New Hampshire funds its **Hazardous Waste Cleanup Fund** with a 4¢ per gallon on automotive oil imported into the state. The fee is assessed at the time of importation and collected from the importer. After July 1, 1998, the fee will be imposed at a rate of 1¢ per gallon. Revenues generated by this fee are used to fund grants to establish and improve used oil collection centers at public facilities and to develop educational programs about oil disposition. (N.H. REV. STAT. ANN. §§ 147-B:12, 13)

Rhode Island

Rhode Island funds its **Underground Storage Tank Financial Responsibility Fund** through a 1 cent per gallon tax on motor fuel. The tax is paid by owners or

operators of underground storage tanks and the proceeds are used to facilitate the clean-up of leaking underground storage tanks. The tax is suspended when the fund reaches a balance of \$8 million and reestablished when the balance falls below \$5 million. (R.I. GEN. LAWS §§ 46-12.9-1 *et seq.*)

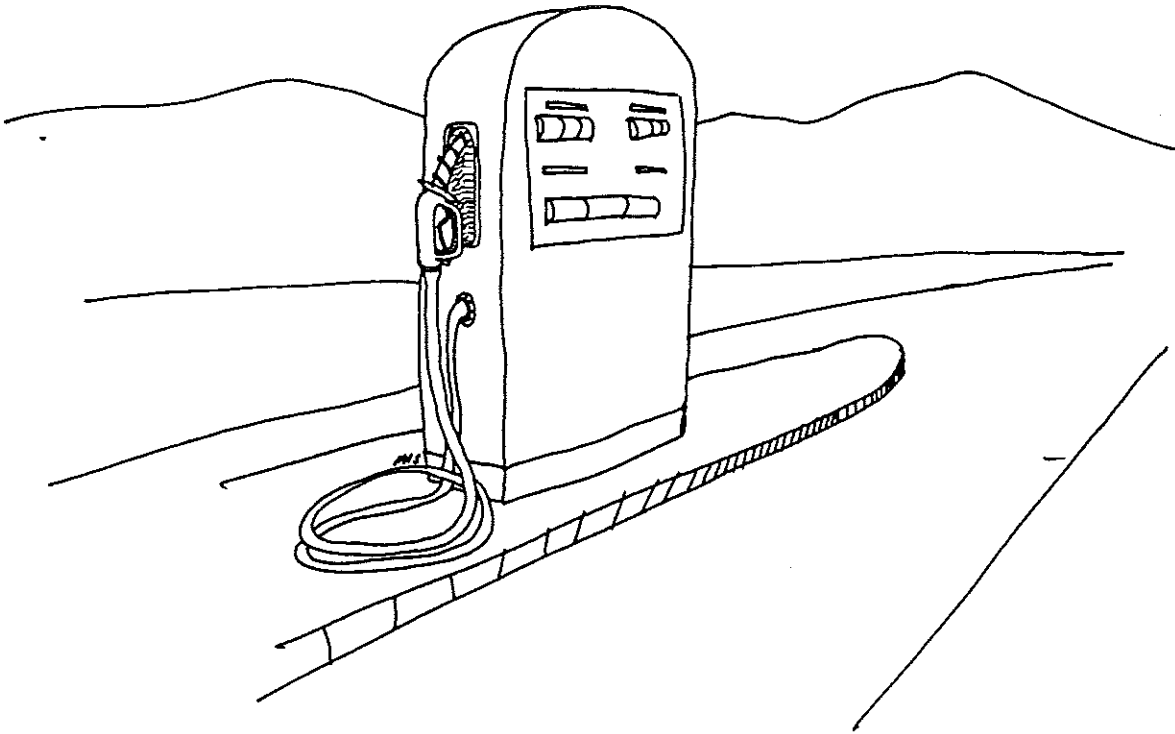
VI. REDUCING FOSSIL FUEL USE IN THE TRANSPORTATION SECTOR

The Context

The gasoline-fired internal combustion engine that drives cars and trucks produces pollutants that pose serious health risks -- carbon monoxide, volatile organic compounds, oxides of nitrogen and, until recently, lead. Regulatory measures, such as requirements for catalytic converters, have targeted these emissions, but many areas of the country continue to suffer from urban smog problems, largely because of vehicle emissions. In addition, as scientists focus on the potential for global warming from greenhouse gases, the need to reduce carbon emissions from motor vehicles is gaining more attention. Finally, the sheer growth in the volume of traffic is constantly demanding the construction of new roads, which in turn have an irreversible and often detrimental effect on land.

Although the American transportation network currently is wedded to the conventional gasoline powered engine, efforts have been undertaken to reduce reliance on fossil fuels. Federally mandated Corporate Average Fuel Efficiency (CAFE) requirements for fleets of motor vehicles have raised the mileage performance of passenger cars; some states are required to institute plans to ensure that large employers reduce their employees' commuting miles, and recent federal legislation has mandated the increased use in certain circumstances of vehicles using alternative, clean-burning fuels, such as compressed natural gas.

Tax mechanisms can also play a role in reducing reliance on gasoline in the transportation sector. Increasing the price of gasoline by increasing the state or federal tax on gasoline can make buyers more price-sensitive and, therefore, more mileage-sensitive. Tax incentives can reduce the cost of providing van pools that, by combining commuters, can reduce the total number of miles driven. In addition, tax incentives can ease the cost of the transition from gasoline-powered vehicles to alternative fuel vehicles.



A. Motor Vehicle Fuel Taxes

Gasoline taxes traditionally have been used as a way of generating funds for finance road construction and repair as well as general revenues for the government; they have not been viewed as a way of discouraging fuel consumption. Given the extent to which the combustion of gasoline contributes to air pollution problems, however, higher taxes on gasoline could reduce usage and help achieve environmental goals. Accordingly, this survey records the current state taxation of gasoline. This survey generally does not cover other taxes on petroleum products, beyond those described above that fund petroleum clean-up.

Gasoline Taxes (cents/gallon)

federal tax	18.4
Connecticut	35 (increasing over time to 39 in 1997)
Maine	19
Massachusetts	21
New Hampshire	18

New York	04
Rhode Island	28
Vermont	15

Statutory References

CONN. GEN. STAT. § 12-458
 ME. REV. STAT. ANN. tit. 36 §§ 2901 to 2906
 MASS. GEN. LAWS ANN. ch. 64A § 3A
 N.H. REV. STAT. ANN. § 260:32
 N.Y. TAX LAW § 284
 R.I. GEN. LAWS §§ 31-36-1 to 23
 VT. STAT. ANN. tit. 23 §§ 3101 to 3114

B. Incentives for Van Pools and Corporate Transportation Plans

The 1990 amendments to the Clean Air Act require states that do not attain national air quality standards to implement programs to reduce vehicle emissions. One of the reduction techniques involves the reduction of work-related vehicle trips, and Connecticut, for example, has required employers with more than 100 employees to develop plans to reduce commuting traffic. Tax incentives have also played a role in encouraging or defraying the cost of traffic-reduction measures.

1. Property tax exemption for employer-owned van pool vehicles

Connecticut Vans used to transport employees to and from work are exempted from property taxation. To qualify, the van must be owned or leased by an employer located in Connecticut or a regional ride-sharing organization in the state recognized by the Commissioner of Transportation. (CONN. GEN. STAT. § 12-81e)

2. Gasoline tax refund for fuel used in high-occupancy commuter vehicles

Connecticut Connecticut refunds any gasoline tax paid by the owner or lessee of a high-occupancy commuter vehicle for use in the vehicle. To qualify for the exemption, the vehicle must have the capacity to carry up to 15 people and have a minimum average daily passenger usage to and from work of nine persons. (CONN. GEN. STAT. § 12-459(11)).

3. Registration fee exemption for employer-owned van pool vehicles

Massachusetts Corporations that are van pool vehicle owners may avoid paying registration fees for those vehicles. In order to register a vehicle as a van pool, the corporation must show that the vehicle will be used primarily for the purpose of transporting employees to and from work; at least seven employees must sign an agreement to participate in the van pool for at least eleven of the twelve months subsequent to the registration of the vehicle; and the vehicle must be covered by an insurance policy of at least one million dollars, indemnifying the owner from liability against claims for personal injury or death. (MASS. GEN. LAWS ANN. ch. 63 § 31F)

4. Credit against corporate excise tax for van pool vehicles

Massachusetts Massachusetts allows companies to claim a credit against the excise tax otherwise due for the cost of purchasing or leasing company shuttle vans. The credit is available for up to 30 percent of the costs incurred for the purchase of company shuttle vans during the previous taxable period. In order to qualify, the shuttle vehicle must be used primarily for transporting employees to and from work and at least seven persons must sign an agreement to use the shuttle to commute to work for at least eleven months. Vehicles which are necessary as part of the company's business absent the shuttle program do not qualify for this credit. Companies may still claim a depreciation deduction with respect to vehicles that qualify for the credit, but the deduction is based on the cost less the allowable credit. (MASS. GEN. LAWS Ch. 63 § 31E)

5. Tax credit for transportation management program

Connecticut Corporations that employ one hundred or more employees are required to conduct surveys to determine the number of vehicles entering and leaving their work premises during peak periods and to develop a compliance plan to meet state targets for average passenger occupancy rates. The plan may include van pool programs, shortened work weeks or telecommuting.

Corporations can claim an income tax credit equal to 50 percent of the amount spent for the direct costs of transportation management programs and services instituted in response to the requirement described above. The amount of this credit cannot exceed \$250 annually per employee participating in alternative means of commuting pursuant to transportation management programs. The total amount of credits available to taxpayers under this provision cannot exceed \$1,500,000. (CONN. GEN. STAT. § 12-217s)

C. Incentives for Alternative Fuel Vehicles

Both the 1990 amendments to the Clean Air Act and the federal Energy Policy Act of 1992 require the use of alternative fuel vehicles in certain situations — largely by businesses that operate fleets of vehicles and fleets in certain areas that do not meet air quality standards. In addition, the federal tax code provides tax incentives to encourage individuals and businesses to purchase of alternative fuel vehicles and to encourage filling stations to install the refueling equipment necessarily to accommodate these alternative fuels. Connecticut has also enacted a series of tax measures designed to increase the use of alternative fuel vehicles.

1. Sales and use tax exemption for alternative-fuel vehicles equipment

Connecticut Connecticut encourages conversion to alternative-fuel vehicles by offering a sales and use tax exemption for purchases of certain types of vehicles and for purchases filling stations must make in order to be able to refuel alternative-fuel vehicles. More specifically, vehicles that are exclusively powered by clean alternative fuels, such as natural gas or electric vehicles that meets Clean Air Act standards, are exempted from Connecticut's sales and use taxes. Equipment associated with the conversion of vehicles into alternative-fuel or dual-use vehicles is also exempted. Finally, any equipment associated with compressed natural gas filling stations or electric recharging stations is also exempt from the sales and use taxes. These exemptions only apply to purchases prior to January 1, 1998. (CONN. GEN. STAT. §§ 12-412(67)-(69))

New York New York exempts from its sales tax a portion of the receipts from the sale of a new alternative fuel vehicle. The exempt portion is equal to the incremental cost of the alternative fuel vehicle over the cost of a conventional vehicle. Similarly, the sales tax does not apply to services rendered to convert a vehicle into an alternative fuel vehicle. Qualifying alternative fuel vehicles must exclusively use alcohol, natural gas, propane or hydrogen or electricity or have dual fuel capabilities with alcohol, propane, hydrogen or natural gas as the primary fuel and gasoline or diesel as the secondary source. (N.Y. TAX LAW § 1115(p))

2. Tax credit for alternative fuel vehicle expenditures

Connecticut Two tax credits are available to corporations for certain expenditures they make in order to increase the use of alternative fuel vehicles. First, corporations may receive a credit equal to 50 percent of the amount directly spent in constructing a filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas or liquefied natural gas. Second, a credit is available to corporations for up to 50 percent of the amount spent to convert motor vehicles so that they can use electricity, compressed natural gas, liquefied

petroleum gas, or liquefied natural gas. These credits are available only for costs paid or incurred after January 1, 1994 and prior to January 1, 1999. (CONN. GEN. STAT. §§ 12-217q to 217r)

3. Corporate franchise tax exemption for alternative fuel vehicle companies

Connecticut Until 1998, Connecticut exempts from its franchise tax those companies which are engaged in the research, design, manufacture, or sale of motor vehicles powered in whole or in part by electricity, natural gas or solar energy. To qualify, a company must not be a subsidiary of another corporation, it must derive at least 75 percent of its gross annual revenues from these activities, and its gross annual revenues for the most recent tax year must not exceed \$100,000,000. (CONN. GEN. STAT. § 12-214(a)(7))

VII. REDUCING FOSSIL FUEL USE IN THE ENERGY-PRODUCTION SECTOR

The Context

Just as the transportation sector has relied on gasoline, the American domestic, commercial and industrial economies have been tied to fossil fuels -- coal, petroleum, and natural gas that produce emissions when consumed. The Clean Air Act has played a strong role in regulating the emissions from major sources burning these fuels, but the emissions levels and their environmental side effects continue to cause concern. The fuel shortage in the 1970s inspired natural security concerns and triggered federal investments in alternative energy sources and the enactment of federal and state tax incentives for investments in renewable energy, some of which are no longer on the books. The mounting debate over global warming in more recent years has spurred global debate about taxes on fossil fuel that would encourage conservation and induce changes in technology, but President Clinton's proposal to enact a federal tax on the energy-producing (BTU) content of fossil fuels met with defeat and the debate over an energy tax in Europe has slowed. As indicated below, state tax legislation in this area has concentrated on tax incentives that encourage the development and use of renewable energy systems rather than tax increases on traditional fuels.

A. Incentives for Renewable Energy Sources

1. Property tax exemption for solar and other renewable energy systems

Several New England states offer property tax exemptions for alternative energy equipment property. Solar and wind energy equipment are the most common types of property covered by these exemptions. Most states limit the number of years for which the property can be eligible for the exemption and require that the equipment must be installed before a certain date.

Connecticut The exemption applies to active solar energy heating or cooling systems, solar energy electricity generating systems, passive solar energy heating or cooling systems, hybrid systems of both active and passive elements, and cogeneration systems. Qualifying alternative energy system property is exempted from property tax assessment to the extent that the value of the real property as a whole is increased by the addition of the alternative energy system property.

The exemption is available for the first fifteen years following construction or

installation of the system. For solar energy electricity generating and cogeneration systems, individual municipalities may decide the length of the exemption period, not beyond fifteen years. To qualify as a solar energy generating system, at least 75 percent of the electricity generated by the system must be derived from solar energy. There is a one-time application requirement with the local tax assessor, although if the system is altered in any significant way, the property owner may be required to reapply. These exemptions are available for alternative energy systems that are constructed prior to October 1, 2006. (CONN. GEN. STAT. §§ 12-81(56), (57), (62), (63))

Massachusetts Qualifying solar and wind systems may be used exclusively or as an auxiliary system to provide heat or energy needs to otherwise taxable property. The exemption for the value of the system is available for a twenty year period from the date of installation, or until the system ceases to be used for an approved purpose. (MASS. GEN. LAWS ANN. ch. 59 § 5(45))

New York Real property that includes a certified solar or wind energy system is exempt from property tax assessment to the extent of any increase in the value of the property attributable to the installation of the system. The exemption is available for a 15-year period, and it is available for systems which are constructed or acquired after January 1, 1991 and before January 1, 1996. (N.Y. RPTL LAW § 487)

Rhode Island Solar, wind and cogeneration energy systems may be exempt from value assessment for property tax purposes at the election of the taxpayer. Component parts such as collectors, controls, storage devices, windmills and other equipment that is necessary to the process of converting solar radiation or wind into thermal, electrical or chemical energy are included in the exempted property. Equipment that is part of the conventional heating or cooling system of a building is not included in this definition, although parts which serve dual purposes may be included to the extent that the cost of these parts is higher to enable such dual use. The amount exempted from property tax assessment is the difference between the value of the building with the alternative energy system and the value of the same building with a conventional energy system. This exemption is not available after July 1, 2000.

Rhode Island also offers an exemption from property tax assessments for hydroelectric generation equipment purchased after July 1, 1979. All equipment connected with the generation of hydroelectric power, including monitoring equipment, conduits, controls, circuit breakers and other devices associated with the process, may qualify. The property must be used by an individual or entity that owns or leases a dam to generate hydroelectric power. Finally, municipalities by ordinance may also exempt other renewable energy systems. (R.I. GEN. LAWS §§ 44-3-3(24), 44-3-18, 44-3-21)

2. Accelerated deduction for solar or wind equipment

Massachusetts In determining net income subject to the Massachusetts corporate income tax, corporations may deduct the full amount of expenditures paid or incurred during the taxable year for the construction or installation of solar or wind climactic control or heating units. Expenses relating to the cost of labor for installation or conversion may be included in the deducted amount. Qualifying solar or wind energy must be certified, located in Massachusetts and must be used exclusively in the corporation's trade or business. This deduction is available in lieu of any depreciation deductions that may be available for the property. The statute requires certain adjustments if the property is sold or its use changes. (MASS. GEN. LAWS ANN. ch. 63 § 38H)

3. Sales tax exemption for solar or wind equipment

Massachusetts The Massachusetts sales tax exempts sales of equipment which is used in any solar or wind powered heating or pumping system. To qualify for the exemption, the equipment must be used to heat or supply energy needs to an individual's principal residence within the state. (MASS. GEN. LAWS ANN. ch. 64H §§ 2, 6(dd))

4. Individual income tax credit for installation of domestic solar or wind equipment

Massachusetts Massachusetts gives individual taxpayers an income tax credit if they purchase and install renewable energy source systems in their principal residence. Qualifying solar or wind energy equipment must be reasonably expected to be in operation for at least a five year period and not be used in the individual's trade or business. The credit is available to both owners and tenants.

The amount of credit is 15 percent of the total purchase and installation cost of the solar or wind energy equipment, up to a maximum of \$1,000. Taxpayers must deduct any federal income tax credits they have claimed and any grant or rebate amounts received from the U.S. Department of Housing and Urban Development when determining the total purchase and installation cost. If the amount of credit exceeds the amount of income tax due in the tax year in which the credit is claimed, the taxpayer may carry over the balance of the unused credit and apply it against tax liability in any one of the succeeding three tax years. (MASS. GEN. LAWS ANN. ch. 62 § 6(d))

5. Corporate franchise tax exemptions

Connecticut Until 1998, Connecticut provides a 100 percent exemption from the corporate franchise tax (a tax on income) for corporations involved in the research, design, manufacture, sale or installation of alternative energy systems. To be eligible, companies must derive at least 75 percent of their gross annual revenues from qualifying activities, and they cannot have grossed more than \$100,000,000 in the most recent tax year. (CONN. GEN. STAT. § 12-214(a)(7))

Massachusetts In Massachusetts, the availability of an exemption from the franchise tax (a tax based on the value of the corporation's assets) depends upon whether the company has invested in solar or wind energy equipment, regardless of the underlying nature of its business. Qualifying solar or wind energy equipment that may otherwise be included in determining a company's franchise tax liability is exempted. This exemption works much like the property tax exemption offered for alternative energy equipment. The corporation must use the property solely in its trade or business to supply the company's energy needs exclusively or as an auxiliary to a conventional energy system. The exemption applies for a period of twenty years from the date the property is first placed in service, although if the property is used for another purpose or outside the taxpayer's trade or business, it ceases to qualify. (MASS. GEN. LAWS ANN. ch. 63 § 38H(f))

6. Individual income tax deduction for income from energy conservation or alternative energy patents

Massachusetts Massachusetts allows individuals to deduct from their gross income any income received from the sale, lease or other transfer of U.S. patents which are useful to energy conservation or to development of alternative energy systems. The Commissioner of Energy Resources must certify that the patent is useful for such purposes. Any royalty income received or income received from the sale or lease of tangible property which is made in Massachusetts subject to said patent is also eligible to be deducted from the taxpayer's gross income for income tax purposes. The deduction is allowed for a period of 5 years from the date of issuance of the U.S. patent. (MASS. GEN. LAWS ANN. ch. 62 § 2(a)(2)(G))

B. Incentives for Energy Conservation

1. Corporate income tax credit for investments in energy conservation projects

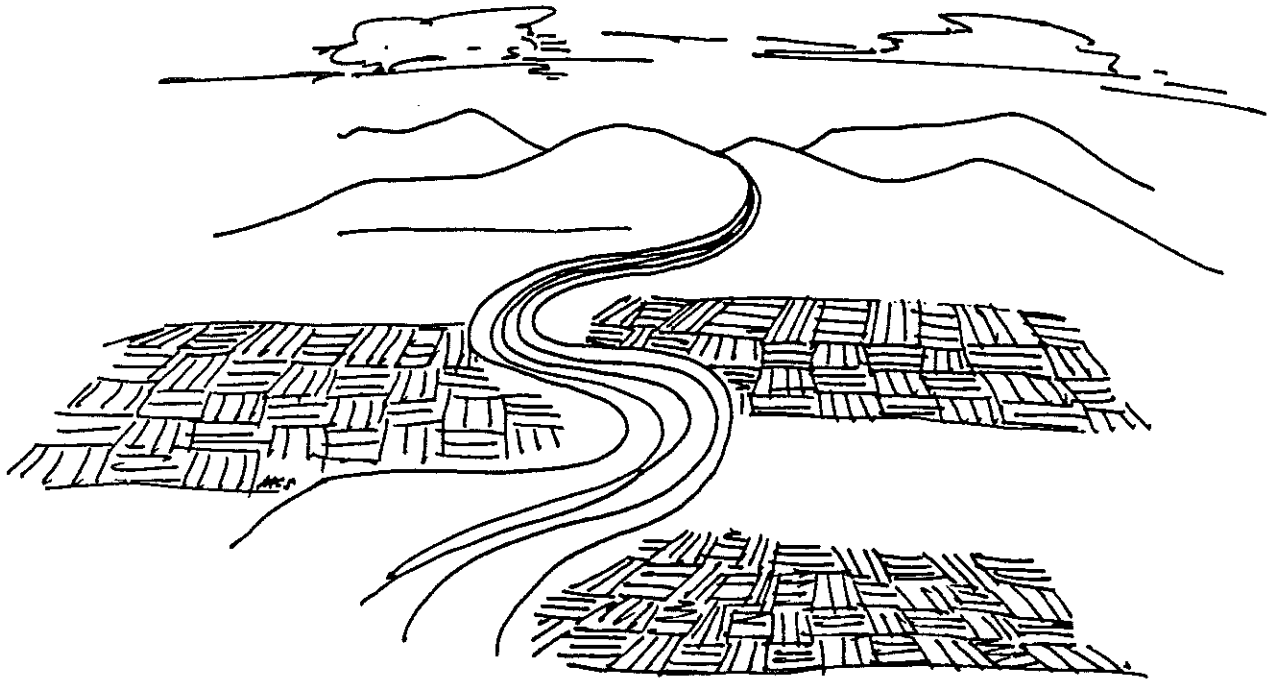
Connecticut Connecticut provides a credit against the amount of income tax due from corporations, insurance companies, express companies, utilities, and other business structures if they make investments in community-based energy conservation projects.

Municipalities that develop energy conservation projects directed at low-income housing developments or charitable corporation properties may submit their plan to the Commissioner of Social Services and to the legislative body of their municipality for approval. Once approved as eligible for investment, each municipal plan is published and made available to Connecticut business firms. Firms that wish to participate must invest a minimum of \$250,000 to be eligible for the credit. The credit is available for 60 percent of the business firm's investment, with an annual credit limit of \$75,000 per firm. Unused credits may be carried forward or backward to be used in any of the five succeeding or preceding years.

There is an aggregate of \$3,000,000 in credits available to all business firms provided for in any one fiscal year, and the credits are divided among a number of other types of community projects as well, including job training, education, crime prevention, child day care facility, and alcoholism prevention programs. (CONN. GEN. STAT. § 12-635)

VIII. MAINTAINING UNDEVELOPED LAND

The Context



Traditional land use controls have focussed on guiding development through zoning, the review of subdivision and development proposals and the protection of certain fragile areas, such as wetlands and coastline. The relatively large blocks of undeveloped land that have been used for timber production, farming, recreation and wildlife habitats are affected by these controls, but their preservation in an undeveloped state cannot be guaranteed through these traditional mechanisms. In most cases, development will be permissible to some extent, and slowly the economically and environmentally productive areas will shrink or vanish.

One of the major forces causing landowners to sell -- often for development -- is the annual burden of property taxes on the land. Many of the New England states' efforts to use tax systems to maintain land in its undeveloped condition have revolved around providing relief from property taxes. In addition, some states have created tax incentives for transfers of the land for certain purposes -- such as transfers of farmland to heirs and transfers to charities -- and one state has discouraged land speculation by

imposing a substantial tax on speculative gains.

A. Tax Incentives that Relieve the Property Tax Burden

Real property is normally assessed at its full fair market value for property tax purposes. The valuation of undeveloped land based on fair market value rather than the actual, current use of the property will increase the tax burden in many instances. Under this property tax system, owners of undeveloped lands often are required to pay property taxes that are out of proportion to the revenue that they derive from their land, and they may be forced to put their land to a higher use through sale or subdivision. In recognition of this hardship and the value of maintaining undeveloped lands for their scenic value and natural resource potential, each of the New England states has established some type of beneficial property tax assessment procedure for qualifying farm land, forest land and open space.

Although there are many differences in the implementation of each state's special assessment programs, there also are many common features. All states require that land owners apply to local tax assessors for classification in a special use category, and many states set specific qualification guidelines to be met, including minimum acreage requirements and minimum income requirements. Many states require a minimum time commitment from landowners who enroll their land in special use programs, and all states impose penalty taxes for early withdrawal or disqualifying uses.

The following charts summarize the principal property tax relief programs that the various states offer, and the pages that follow the charts provide additional details.

The detailed descriptions also include other programs that offer property tax relief, such as property tax regimes that exempt growing timber from tax but impose a yield tax at the time the timber is cut and programs that exempt certain tree plantations.

Current Use Assessment of Forest Land

State	Eligibility(beyond being timber property)	Tax Effect	Penalties for Change in Use
Connecticut	at least 25 acres	current use assessment	conveyance tax equal to a gradually decreasing percentage of fmv
Maine	at least 10 acres forest management plan	current use assessment	penalty tax equal to taxes saved, partly based on length of time enrolled
Massachusetts	at least 10 acres forest management plan	taxed based on portion of land's fair cash value	penalty tax equal to taxes saved during enrollment
New Hampshire	at least 10 acres or tree farm	current use assessment	land use change tax equal to 10% of fmv
New York	at least 50 acres forest management plan	portion of value exempted from taxation	penalty tax equal to 2½ times the tax that would have been levied, if change within 10 years of classification
Rhode Island	at least 10 acres forest management plan	current use assessment	penalty tax equal to a percentage of fmv based on length of time enrolled
Vermont	at least 25 acres forest management plan	current use assessment	penalty tax equal to 10% fmv

fmv = fair market value

Current Use Assessment of Farm Land

State	Eligibility	Tax Effect	Penalties for Change in Use
Connecticut	general factors for assessor's consideration	current use assessment	conveyance tax equal to a gradually decreasing percentage of fmrv
Maine	at least 5 contiguous acres minimum income requirement	current use assessment	recapture penalty based on fmrv and length of time enrolled
Massachusetts	at least 5 acres minimum income requirement	current use assessment	greater of percentage of fmrv or the amount of tax savings
New Hampshire	at least 10 acres or crops generating minimum income	current use assessment	land use change tax equal to 10% of fmrv
New York	land must be situated within agricultural district	agricultural use assessment	penalty tax equal to 5 times the tax saved during the last year in which the land qualified
Rhode Island	land actively devoted to agricultural or horticultural use	current use assessment	decreasing percentage of fmrv based on length of time enrolled
Vermont	generally least 25 acres; minimum agricultural income requirements or requirements of ownership or lease by farmer, depending on the particular program	current use assessment; in addition, exemption from school taxes in the case of land in the Working Farm Tax Abatement Program	land use change tax equal to 10% of fmrv, 3 times taxes saved the preceding year, or tax savings over preceding 5 years, depending on the particular program

fmrv = fair market value

Current Use Assessment of Open Space Land

State	Eligibility	Tax Effect	Penalties for Change in Use
Connecticut	land must be situated in designated preservation area	current use assessment	conveyance tax equal to a gradually decreasing percentage of fmv
Maine	land must provide a public benefit	current use assessment	penalty tax based on tax saved, partly dependent on length of time enrolled
Massachusetts	devoted to preservation or recreational uses	current use assessment	greater of conveyance or roll-back taxes
New Hampshire	generally at least 10 acres; no special requirements	current use assessment	penalty tax equal to 10% fmv
New York	N/A	N/A	N/A
Rhode Island	10 acres undeveloped	current use assessment	penalty tax equal to a gradually decreasing percentage of fmv
Vermont	N/A	N/A	N/A

fmv = fair market value

1. Connecticut

Connecticut's Current Use Assessment Program

Eligibility Requirements

Forest: Qualifying forest land is defined as having a minimum aggregate of 25 acres and having tree growth in "such quantity and so spaced to constitute in the opinion of the state forester a forest area." In order to meet the acreage requirement, land may be comprised of one or more tracts, though no individual tract may be less than 10 acres.

Farm: There are several statutorily provided factors to be considered by the local assessor upon receiving an application to have land designated as farm land. These factors include the combined acreage of the land, the portion thereof in actual use for farming or agricultural operations, the productivity of such land, the gross income derived therefrom, the nature and the value of the equipment used in connection with the farming operation, and the extent to which the tracts comprising such land are contiguous. The statute sets no specific acreage requirements.

Open Space: Open space classification differs from the other New England states' requirements in that land must be situated within an area designated by the municipality's planning commission as recommended for preservation as open space and approved as such by the legislative body of that municipality. Upon application from a landowner with land so situated, the reviewing assessor must determine whether the land in question is used in a manner which adversely affects its essential character as an area of open space land. The statute sets no specific acreage requirements.

Application Process

Forest: The landowner must first apply to the state forester to have his land certified as forest land, after which there is a one-time application to the local assessor to have the land classified as such on the municipality's assessment list.

Farm or Open Space: The landowner must file a one-time application to local assessor to have land classified as farm land on that municipality's assessment list.

Tax Effect Once Qualified

Land will be assessed based on its current use.

Penalty for Change in Use

Land that has been classified as forest, farm or open space land is subject to a conveyance tax upon sale or change in use that occurs within the first ten years of being so classified. The conveyance tax is applied against the total sales price of the land if

it is sold, or upon the fair market value of the land if there is a disqualifying change in use. The tax rate is reduced by one per cent yearly over the ten year period from 10 percent if the change occurs in year one to 1 percent if the change occurs in year ten. There is no additional conveyance tax imposed if the land is sold after year ten.

Statutory References

CONN. GEN. STAT. §§ 12-63, 12-107a through 12-107e, 12-504a through 12-504e

Connecticut's Forest Land Tax Program

Connecticut also provides a system of taxation for special categories of tree plantations and other timber land that is suitable for forest planting. A distinction is made between timber land of more than ten years' growth and of less than ten years' growth. Timber land with more than ten years' growth may be taxed at the local forest land rate, but not more than "10 mills upon the true and actual value of the land and timber", while timber land of less than 10 years' growth may be taxed at the local forest land rate, but not more than 10 mills on the land alone.

Yield taxes are imposed on the value of the material removed whenever a commercial cutting is made. For timber land with more than ten years' growth, the tax rate is graduated and increases from 2 percent of the yield in the first ten years after classification under this section to 7 percent of the yield from land that has been in the program for fifty years or more. For land that is stocked with trees that are less than ten years old at the time of classification, the tax rate is 10 percent.

Land that is withdrawn from the program is subject to a tax of 5 mills per annum imposed on the difference between the value of the land and timber at the time of classification and the value of that land and timber at the time of cancellation for the entire number of years that such land has been so classified. (CONN. GEN. STAT. § 12-96 to 12-102)

2. Maine

Maine's Current Use Program

Eligibility Requirements

Forest: Forest land is defined as "land used primarily for growth of trees to be harvested for commercial use". Eligible tracts must be a minimum of 10 acres, and the landowner must submit a forest management and harvest plan prepared by a licensed state forester and updated every 10 years. Properties larger than 100 acres will not be

classified as forest land if they are leased for recreational use and the lease payments exceed the value of the tree growth which can be extracted on a sustained basis.

Farm: Farm land is defined as having a minimum of 5 contiguous acres where farming or agricultural activities have produced a gross income of at least \$2,000 per year in one of the two, or three of the five, years preceding the application date.

Open Space: Open space land is defined as "any area of land, including state wildlife and management areas, sanctuaries and preserves . . . , the preservation or restriction of which provides a public benefit". Several categories of public benefits are statutorily provided, including conserving scenic resources, enhancing public recreation opportunities, promoting game management, and preserving wildlife or wildlife habitat.

Application Process

Forest, Farm or Open Space: The landowner must file a one-time application with the appropriate assessor within statutorily mandated deadlines. Classifications are reviewed annually by the responsible assessor and will continue to apply unless land is disqualified or withdrawn. Owners of farmland must file an annual determination of gross income realized.

Tax Effect Once Qualified

Forest: Timberland and woodlands in Maine may be valued for tax purposes according to their current use by means of a classification and averaging system. To obtain the assessed values, the local assessor uses the current use valuations determined by the State Tax Assessor for each forest type in the county. The assessor adjusts this value by whatever ratio of 100-percent-fair-market-value-to-assessed-value is then being applied to other property within the municipality. Forest land is then taxed at the property tax rate applicable to other property in the municipality. The state will reimburse municipalities for up to 90 percent per acre for tax revenue lost. The tax lost is the difference between the tax that would have been assessed according to undeveloped acreage valuation and the actual tax assessed under the current use assessment scheme.

Farm: Land classified and used as farm land may be assessed for property tax purposes based on its current use. Unlike timberland, the value is set by the local assessor. Factors that may be considered by the reviewing assessor in determining value may include farmland rentals, soil types and quality, topography, and whether there are permanent conservation restrictions placed on the land. Valuation may not reflect development or market value or accessibility to road or shore frontage.

Open Space: Open space is valued by the local assessor at its current use (its sales price if it were on the market as open space). If the assessor cannot determine this value, he may use an alternate valuation method that reduces the ordinary assessed value

by certain percentages -- 20 percent for all open space, an additional 30 percent if the land is permanently protected (for example, by a conservation easement), an additional 20 percent if the land will be "forever wild," and 25 percent if the public has access to the land.

Penalty for Change in Use

Forest or Open Space: A tax penalty is imposed when a landowner withdraws land from forest or open space land classification or when land is no longer eligible. There is no penalty imposed for switching from one special assessment category to another. The penalty imposed is the greater of (1) the amount equal to the taxes which would have been assessed for the five tax years preceding withdrawal, less the tax actually paid for that period, or (2) "an amount computed by multiplying the amount, if any, by which the fair market value of the real estate on the date of withdrawal exceeds the 100% valuation of the real estate pursuant to this subchapter on the preceding April 1st, by the following rates: (i) If the real estate was subject to valuation under this subchapter for 10 years or less prior to the date of withdrawal, the rate shall be 30%; and (ii) if the real estate was subject to valuation under this subchapter for more than 10 years prior to the date of withdrawal, the rate shall be that percentage obtained by subtracting 1% from 30% for each year full year beyond 10 years that the real estate was subject to valuation under this subchapter prior to the date of withdrawal until a rate of 20% is reached".

Farm: There is also a recapture penalty for change in use which disqualifies farm land from its special use classification. The amount of the penalty depends on how long the land has been classified. Farm land which has been so classified for less than 5 years is subject to a recapture penalty of 40 percent of the assessed fair market value at the time of removal from classification. Farm land which has been so classified for more than 5 but less than 10 years is subject to full recapture of taxes that would have been paid on said land for all years so classified. Farm land classified more than 10 years is subject to recapture of the taxes that would have been paid for the past 5 years.

Statutory References

1970 Amendment, Section 8, Article IX, Maine Constitution
ME. REV. STAT. ANN. tit. 36 §§ 572 *et seq.*, 1102 *et seq.*)

A Related Provision: Maine's Tax Credit for Forest Management Plans

Taxpayers may claim an income tax credit for development of a forest management and harvest plan. Once every ten years, an individual may deduct the cost of having a licensed professional forester develop such a plan, up to \$200, from the amount of tax due. (ME. STAT. REV. ANN. tit. 36 § 5219-C)

3. Massachusetts

Massachusetts' Current Use Program

Eligibility Requirements

Forest: Forest land must have a minimum of 10 contiguous acres and it must be used for forest production. The land must be managed in compliance with a forest management plan which has been certified by the state forester and is updated and recertified every ten years.

Farm: In order to qualify under either agricultural or horticultural special use categories, land must be used primarily for raising animals, fruit or vegetables. Qualifying parcels should have a minimum of 5 acres and have gross sales of at least \$500 per year plus \$5 per acre per year for each acre over the 5 acre minimum. In meeting the gross sales requirement, farmers may include amounts that are payable to them under soil conservation or pollution abatement programs. Finally, qualifying parcels must have been devoted to agricultural or horticultural use for at least two years prior to application under this program.

Recreational Land: Recreational land must be either retained in a substantially natural, wild or open condition in such a manner as to allow to a significant extent the preservation of wildlife and other natural resources or devoted to recreational uses which do not interfere with the environmental benefits which are derived from such land. Acceptable recreational uses available to the general public or to members of a nonprofit organization are hiking, camping, nature study, boating, golfing, hunting, fishing, skiing, swimming, private flying, and horseback riding.

Application Process

All classifications: The landowner must submit an annual application to the local tax assessor.

Tax Effect Once Qualified

Massachusetts has four categories of real property (residential, open space, commercial and industrial) with separate tax rates for each. These categories affect the taxation of land enrolled in current use programs.

Forest: Land that is eligible for a special classification as forest land may be taxed at the local rate for commercial property, but on only 5 percent of the land's fair cash value. An annual forest products tax of 8 percent is imposed on the stumpage value of all products cut.

Farm: Land that has been approved for special classification as agricultural or

horticultural land is taxed based on its current use value and is taxed at the commercial property tax rate.

Recreational Land: Land that has been approved for special classified as recreational land is taxed based on its current use value at the commercial rate.

Penalty for Change in Use

Forest: The landowner must pay a withdrawal penalty tax on forest land that is withdrawn from this classification. Land is deemed to have been withdrawn when it is voluntarily withdrawn at the end of a certification period, there is a conversion to a disqualifying use or when a landowner fails to manage such land according to the certified forest management plan. The tax is equal to the difference between (1) the tax that would have been paid since the last certification or for the preceding five years (whichever is longer) and (2) the tax actually paid, plus interest. There is however, no credit for product taxes paid when land is disqualified or voluntarily withdrawn before the end of a certification period.

Farm or Recreational Land: Withdrawal of land from agricultural or recreational classification may trigger the application of one of two possible penalty taxes. Which of the two types of penalty taxes shall be applied depends on which results in the greater amount of tax due. Only the greater penalty will be applied. Before there is a sale or change of use of such land, the landowner must provide notice to the city or town.

A conveyance tax is imposed on the sale or change in use of agricultural land that takes place within ten years from the date of its classification as such. The rate of tax is graduated over the ten year period, from 10 percent in the first year of classification to 1 percent in the tenth year of classification, and is applied against the total sales price or fair market value.

An alternative tax penalty may be imposed on disqualified agricultural land. This section imposes roll back taxes due for the current year plus the four preceding tax years in which the land was subject to current use classification. The amount of tax due is deemed to be the difference between the taxes paid and the taxes that would have been paid for each of these five years based on the land's full and fair value. Liability for roll back taxes runs with the land.

Withdrawal of land from the recreational use classification also subjects the landowner to conveyance or roll back taxes, depending on which is greater. The conveyance tax is equal to 10 percent of total sales price or fair market value if the withdrawal occurs within the first 5 years of classification or 5 percent if the withdrawal occurs within the 6 through 10 year period. Alternatively, roll back taxes may be applied in the event that they would exceed the conveyance tax. Recreational land

withdrawn or disqualified from such classification may be subject to roll back taxes for the year in which it is disqualified plus the nine preceding years in which it was subject to current use assessment. As with agricultural land, the roll back taxes due will be the difference between the taxes actually paid under the current use program for the applicable years and the taxes that would have been due had the property been assessed based on its full and fair market value.

Other Provisions

The city or town has a right of first refusal on withdrawal to purchase the land at full and fair market value (to be determined by impartial appraisal) or, in the case of a sale, to meet a bona fide offer to purchase. A landowner may escape penalty and continue classification if the purchaser of such land files an affidavit with the municipality's board of assessors attesting to the land's continued consistent use. If there is a subsequent disqualifying change in use, the purchaser is then liable for the conveyance tax, the ten year period having begun again at the date of sale.

Statutory References

MASS. GEN. LAWS ANN. chapters 59, 61, 61A, 61B

4. New Hampshire

New Hampshire's Current Use Assessment Program

Eligibility Requirements

New Hampshire defines open space land broadly to include farm land, forest land, wetlands, recreational land, flood plain, wild land and other unproductive land. The minimum acreage is generally 10 acres, but various types of land can be contained within that minimum acreage, such as forest and farmland. New Hampshire law provides that owners of forest land must maintain the land's forest character in order to receive the tax benefit, but unlike other New England states, it imposes no management plan requirement.

Application Process

The landowner must file a one-time application with local assessing officials. If the application is approved, it is recorded under the applicable classification at the local registry. Assessors review applicability of classifications on a yearly basis, but no reapplication is necessary.

Tax Effect Once Qualified

Qualifying open space land is assessed based on its current use value for property tax purposes. A statewide current use advisory board is responsible for developing

current use valuation criteria. Landowners who allow public access are eligible for an additional reduction in their assessment.

Payment for Change in Use

A land use change tax is imposed on land that is withdrawn or is disqualified due to a change in use that does not qualify for open space classification. The amount of tax is equal to 10 percent of the full and true value of the land, irrespective of its open space assessment value and the number of years the land has been classified. Several uses which may disqualify a parcel include excavation of topsoil, minerals or gravel, or actual construction on the site such as building a road or building a sewer.

Statutory References

N.H. REV. STAT. ANN. §§ 75:1 to 75:19, § 79-A:1 *et seq.*

New Hampshire's Easement/Current Use Assessment Program

Land that does not qualify for open space classification may be enrolled in a discretionary easement acquisition program. In order to qualify for this program, the land must confer a benefit upon the residents or be used in a manner that is consistent with the general objectives of open space preservation for that particular city or town. The landowner is required to apply to the local planning board for a permit to convey a discretionary easement with a duration of at least 10 years to the town or city. If the permit is approved, the board will recommend that the city or town acquire a discretionary easement on the land. Under the terms of the easement, the landowner will receive property tax relief through current use assessment.

A tax penalty will be imposed on a landowner who petitions for release from the terms of the easement before its expiration. If release occurs within the first half of the easement's duration, the tax imposed is equal to 20 percent of the land's full value assessment, irrespective of its current use assessment. If release occurs in the second half of the easement's duration, the tax penalty imposed is equal to 10 percent of the land's full and true value. A landowner may be released prior to the expiration of the easement when there has been a demonstration of "extreme personal hardship."

New Hampshire's Property Tax Exemption for Growing Timber

New Hampshire provides an exemption from property tax for the value of growing timber. Under this system, the land and timber are valued separately and the landowner is liable for property tax assessed on the value of the land alone. By the terms of this provision, "all growing wood and timber except fruit trees, sugar orchards, nursery stock, Christmas trees and trees maintained only for shade and ornamental

purposes" qualify for this exemption.

A yield tax of 10 percent on the stumpage value is imposed at the time of cutting when timber is removed from the land for commercial sale. ("Stumpage value" is determined by the assessing officials, with statutorily provided guidelines.) However, even if timber is not cut, a yield tax may be imposed if standing wood is ready to be cut and assessing officials determine that the town has been unreasonably deprived of revenue due to the landowner's failure to cut. In this case, the yield tax would be applied once and if the timber is subsequently cut, the amount of tax paid is credited.

In unorganized towns, yield tax revenue from these sources will first be applied to the costs of assessment and collection; next to the "unincorporated towns & unorganized places forest conservation fund", used in and for the benefit of the towns and places collected from; and finally for land use regulation and forest conservation purposes. (N.H. REV. STAT. ANN. §§ 79:2, 79:3, 79:14)

5. New York

New York Property Tax Relief Program

Eligibility Requirements

Forest: In order to be eligible for this program, land must consist of at least 50 contiguous acres, exclusively devoted to and suitable for the production of forest crops. Additionally, the land must be managed in accordance with a forest management plan, certified as approved by the Department of Environmental Conservation every ten years. The plan must contain information pertaining to the stocking and cutting of the parcel, access to and other specified uses of the parcel, as well as any provisions made to accommodate endangered and threatened species of plants or animals on the parcel.

Farm: In order to be eligible for agricultural assessment, farm land must be used in agricultural production and situated within an agricultural district.

Application Process

Forest: The landowner must file an application for an exemption to the appropriate local assessor. Landowners are required to commit their land for a ten year period to receive a property tax benefit in year one. They may continue to receive an exemption each year that they renew their ten year commitment.

Farm: The landowner must submit an annual application to the appropriate reviewing assessor.

Tax Effect Once Qualified

Forest: Either up to 80 percent of the value of eligible forest land is exempted from taxation or the landowner may claim an exemption equal to the difference between the amount of the assessed valuation and the latest state equalization rate times \$40 per acre. A yield tax equal to 6 percent of the stumpage value is imposed when timber is cut.

Farm: The tax is based on an agricultural assessment rather than on the full and fair market value. Several criteria may be considered in determining the agricultural assessment values, such as the productivity and capacity of the land for agricultural purposes as determined by mineral and organic soil groups.

Penalty for Change in Use

Forest: A tax penalty is imposed for conversion or noncompliance with the forest management plan within the ten year commitment period. The penalty is an amount equal to 2½ times the amount of tax that would have been levied on the forest land each year, including the current year, in which the exemption was granted, up to a maximum of ten years. If only a portion of the land ceases to qualify, the penalty is doubled again for that portion. After the penalty is triggered, forest land classification is revoked and the land is taxed as ordinary real property. There is no penalty imposed after a ten year commitment period has passed, though forest land classification is revoked at that time.

Farm: A tax penalty is imposed on the conversion to a non-agricultural use. The penalty imposed is an amount equal to five times the taxes saved in the last year in which the land received the special assessment, plus interest of 6 percent per year compounded annually for each year the agricultural assessment was received, not to exceed five years. At their discretion, the local assessors may impose an additional penalty of up to twice the total penalty payments due, not to exceed an additional \$500 penalty, for the landowner's failure to give notice prior to conversion. Several categories of changes in use are not deemed to be conversions, including oil or gas exploration or development or extraction activity, and takings by eminent domain.

Other Provisions

Notice must be given to the Department of Environmental Conservation prior to cutting timber from enrolled forest land.

Statutory References

N.Y. RPTL LAW § 480-a; N.Y. AG&M LAW §§ 304-a, 305

6. Rhode Island

Rhode Island's Current Use Program

Eligibility Requirements

Forest: Forest land must consist of a minimum of 10 contiguous acres and be actively managed pursuant to a forest management plan that has been certified as approved by the director of environmental management.

Farm: In order to qualify, farm land must be actively devoted to agricultural or horticultural use.

Open Space: Open space land is defined to include forest and farm land, but must be an undeveloped tract consisting of at least 10 acres and possess any one of several statutorily provided characteristics, such as salt marsh or coastal wetlands, prime agricultural land or important habitat for wildlife.

Application Process

Forest: The landowner must file a one-time application with the Director of Environmental Management and annual confirmation with the local assessor that the land continues to be managed pursuant to the approved plan.

Farm: The landowner must file an application with the Director of Environmental Management for certification which will then be sent to the local assessor. Thereafter, the landowner must file annual confirmation that the land continues to be used in farming.

Open Space: Unlike farm and forest land, the owner of open space land may apply directly to the local assessor for classification as open space land, but must also file a yearly confirmation that the land continues to be open space.

Tax Effect Once Qualified

Land will be assessed based on its current use.

Penalty for Change in Use

A change in use tax is imposed for voluntary withdrawal of parcels or use inconsistent with their classification. Sale of the parcel may be considered a change in use. However, the purchaser of classified property may submit his agreement that the land will continue its use in its current classification, so avoiding the penalty tax and beginning anew the computation of the classification period. The new owner will then be bound by the terms of the special use classification.

The change in use tax is calculated by applying a decreasing percentage, corresponding to the number of years the land has been classified, to the full fair market value of the land at the time of the change in use. If the change in use occurs within the first six years of classification, the penalty tax will be equal to 10 percent of the property's fair market value. Starting at year seven, the percentage drops by one percentage each year up until year fifteen, after which there is no penalty tax applied. There is a different scale applied to farm land that has been farmed for at least five years prior to being classified. For such land, the percentage applied to full fair market value for change in year one is 10 percent, but thereafter that percentage is decreased one per cent for each year in the program, until year ten.

Statutory References

R.I. GEN. LAWS §§ 44-5-12, 44-5-39, 44-27-1 to 27-13

Rhode Island's Tax Exemption for Tree Plantations

Eligible Land

To qualify, land must consist of a minimum of one acre, may not be worth more than \$25 per acre, and must be planted with at least 500 trees per acre to any of the following trees: chestnut, hickory, oak, maple, larch, pine, ash, catalpa, locust, basswood, beech, hemlock, spruce, tulip, cedar, sycamore, or walnut. The land must be managed under a forest working plan approved by the head of the Division of Forest Environment.

Application Process

Owners of eligible land must apply with their local assessor.

Tax Effect

Qualifying forest land is exempt from taxation for a period of fifteen years from the date of planting. Any individual or corporate taxpayer may have a maximum of 300 acres of land enrolled in this program.

Statutory References

R.I. GEN. LAWS § 44-3-8

7. Vermont

Vermont's Current Use Assessment Program

Eligibility Requirements

Forest: Managed forest land must consist of a minimum of 25 acres and be managed under a 10-year forest management plan that has been signed by the owner and complies with the minimum acceptable standards of forest management as determined by the Commissioner of the Department of Forests, Parks and Recreation. The owner of forest land must also submit yearly confirmation that the land continues to be managed in conformance with the approved plan, and the plan must be updated every 10 years.

Farm: To qualify for agricultural land classification, land must consist of at least 25 acres (some exceptions) and be used for agricultural purposes. There is a presumption that land is agricultural when it produces a minimum annual gross income in one of the two, or three of the five, previous years. The minimum income is \$2,000 for 25 acre and under parcels, plus \$75 per acre for each additional acre, with a cap of \$5,000 on minimum income required. These minimum income requirements do not apply if the land is owned by a farmer who earns at least half of his annual gross income from the farming of the land.

Application Process

Both forest and agricultural land owners must apply to have their land so classified with the director of the division of property valuation and review.

Tax Effect Once Qualified

Qualifying agricultural and managed forest lands may be assessed for property tax purposes based on their current use values rather than their fair market values. A current use advisory board is responsible for determining current use assessment values. In setting criteria for assessing agricultural and forest land, the board may consider such things as the land's productive capacity and income producing capacity.

A state Use Tax Reimbursement Fund compensates to municipalities for loss in revenue due to current use assessment of land within their districts. The fund is financed with appropriations and change-in-use penalties, but it has been under-funded in recent years. When the state does not fully reimburse the municipalities due to under-funding, the landowner is required to pay the difference but may withdraw from the program without liability.

Penalty for Change in Use

Forest and Agricultural Land: A land use change tax equal to 10 percent of the fair market value of the property is imposed when the land ceases to qualify for use

classification. Land is no longer eligible for use classification when the land is subdivided (regardless of whether change in use subsequently occurs), developed by construction of buildings, roads or by mining or landfill operations or when timber is cut contrary to the terms of the forest management plan. When land is ineligible due to development or noncompliance, the fair market value for purposes of calculating the land use change tax due is determined as of the date of development. When land is ineligible due to withdrawal from the program, the land owner may petition to have the fair market value determined prior to the date of development for purposes of calculating the land use change tax.

Farmland: Certain agricultural land owned by a farmer is subject to a different penalty on a change in use. Such farmland is committed to the program for a minimum of three years. Conversion to non-farm use during this period subjects the owner to a tax of up to three times the amount of tax benefit received during the period of classification. However, there are provisions made for cases of extreme hardship, and the landowner may withdraw from the use value assessment program to enroll in the working farm tax abatement program without penalty. Under this farmland provision, designation of a dwelling site for the farmer, his family or a tenant/employee will not trigger the penalty.

Statutory References

VT. STAT. ANN. tit. 32 §§ 3751 through 3763

Vermont's Working Farm Tax Abatement Program

Eligible Property

Under Vermont's Working Farm Tax Abatement Program, all "land, farm buildings and farm improvements which are actively used by a farmer as part of a farming operation" and which are owned by the farmer (or leased by the farmer for at least a term of three years) may be eligible.

Application Process

The owner of eligible property must apply to the Director of the Division of Property Valuation and Review. Once approved for enrollment, the land and property shall continue to be enrolled until it is either withdrawn or disqualified. The owner of enrolled land must submit an annual status report to the director identifying the farmer whose status makes the farm eligible for the program and other information regarding the property's continued eligibility.

Tax Effect:

Owners of land enrolled in Vermont's working farm tax abatement program are

liable only for property taxes due on enrolled land for municipal services, based on their property's current use value, and are exempt from other property taxes, up to an aggregate total of abatement benefits of \$13,000 for any tax year. As with the use value program, municipalities are to be compensated through the Use Tax Reimbursement Fund.

Penalty for Withdrawal or Change in Use

The owner of enrolled land is required to give notice of intent to withdraw or convert the land to non-farm use. The Vermont Housing and Conservation Board has the right to purchase the enrolled land, or a mutually agreed upon part thereof, prior to sale or conversion, by meeting a bona fide offer or fair market value prior to conversion. Acts that may constitute conversion to non-farm use include subdividing the property, changing the use to one that is incompatible with farming, and conveying the property by deed, will, intestacy, or lease renewable for more than ten years. Upon such conversion, the landowner is liable to repay benefits received while the land was enrolled in the program, equal to the amount of tax savings received in the five most recent tax years including the current year. Revenues collected through this tax penalty are earmarked to be deposited in the Vermont Housing and Conservation Trust Fund.

Statutory References

VT. STAT. ANN. tit. 32 §§ 3764 through 3775

B. Property Taxation of Land Under Easement

Land subject to a conservation easement or restriction that permanently reduces the development potential of land should be eligible for a reduced property tax assessment where assessments ordinarily are based on the fair market value of the land and the actual market value of the land has decreased as a result of the easement. Two of the New England states provide some guidance to local tax assessors faced with valuing land under easement.

Maine As indicated above, Maine's current use assessment program for open space provides specific valuation reductions that assessors can apply if the land under easement is enrolled in the current use program. If the fair market value of the land as open space is not ascertainable, the assessor may reduce the ordinary assessed value by 20 percent in recognition of the fact that the land is open space. In addition, the assessment is reduced by another 30 percent if the land is permanently protected and by an additional 20 percent if the land will be "forever wild." (ME. REV. STAT. ANN. tit. 36 § 1106-A)

New Hampshire New Hampshire provides that land under a permanent

conservation easement can be assessed at values no greater than those values used for current use assessment purposes. (N.H. REV. STAT. ANN. § 79-B:3)

C. Tax Provisions that Affect Certain Transfers of Land

Some elements of state tax codes can deter transfers of land that might perpetuate the continued use as productive land or open space, such as gift taxes on a transfer of farmland to children who will continue farming or taxes on transfers to conservation organizations. As indicated below, some states have taken steps to reduce tax barriers. On the other side of the coin is the question of the need to try to discourage transfers that are likely to result in the development of the land. In 1973 Vermont tackled this question by placing a tax on speculative gains from the sale of land in situations where the value of the land has risen rapidly in a relatively short time.

1. Gift tax reduction for certain transfers of farmland

Connecticut Connecticut levies a gift tax on the fair market value of gifts of real or personal property valued over \$10,000. The tax on gifts of farmland to lineal descendants, however, is based on the value of the land as farmland, not its fair market value. If the farmland is subsequently transferred to a party who is not a lineal descendant of the original donee, or if the land is withdrawn or disqualified from farm classification, then the donee becomes liable for the tax savings at the original transfer. (CONN. GEN. STAT. § 12-646a)

2. Transfer tax exemption for charitable transfers

Maine Maine imposes a transfer tax on the grantor and grantee of real property at the rate of \$1.10 per \$500 (or fraction thereof) of the property's fair market value. The tax is ordinarily due when the deed is recorded. Real estate transfers to charitable conservation organizations are exempted from this transfer tax. To qualify, the transfer must be a gift of land or an interest in land made to a bona fide nonprofit institution. (ME. REV. STAT. ANN. tit. 36 §§ 4641 to 4541-N)

3. Capital Gains Tax on Speculative Land Sales

Vermont Vermont imposes a tax on the gain realized from the sale or exchange of land held for less than six years in order to deter short-term, high-profit land speculation transactions. Accordingly, the tax rate varies, depending on the number of years that the land has been held prior to the sale and the extent to which it has risen in

value. The tax rate is applied to the taxable gain, which is determined by subtracting the basis (tax cost) of the land from the sales price, with certain adjustments. Reasonable expenses related to sale or commission expenses may be excluded from determining the amount realized from the sale, thereby reducing the taxable gain, unless the seller has owned the land for less than one year. In that case, the gross amount realized may not be reduced by a total of more than 12 percent.

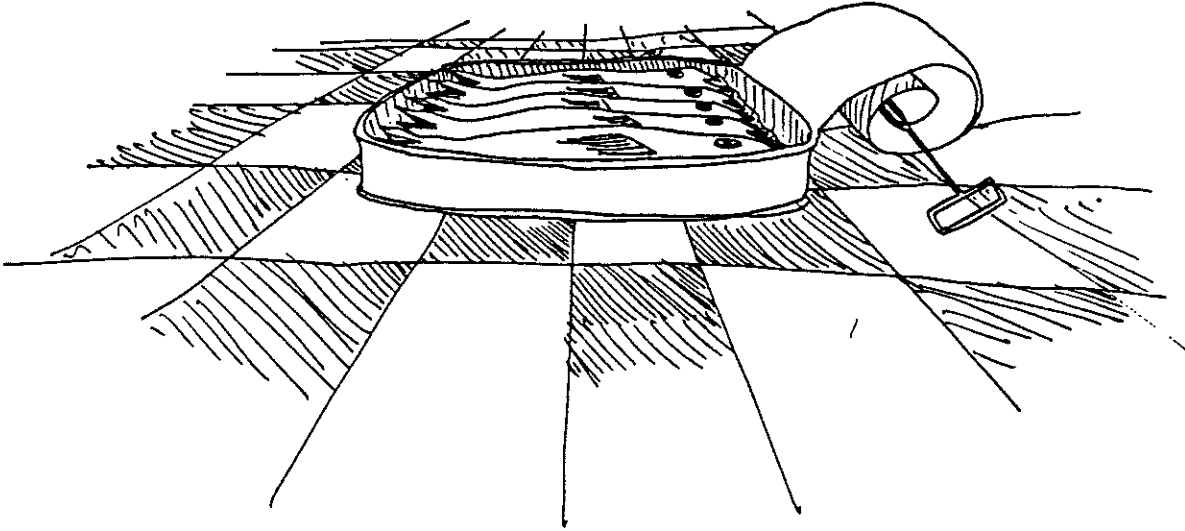
The rate of tax imposed is based upon the years held, according to the following schedule:

<u>Years held by transferror</u>	<u>Gain, as percent of basis</u>		
	<u>0-99%</u>	<u>100-199%</u>	<u>200% or more</u>
less than 4 months	60% tax rate	70% tax rate	80% tax rate
4 - 8 months	35%	52.5%	70%
8 months - 1 year	30%	45%	60%
1 - 2 years	25%	37.5%	50%
2 - 3 years	20%	30%	40%
3 - 4 years	15%	22.5%	30%
4 - 5 years	10%	15%	20%
5 - 6 years	5%	7.5%	10%

Vermont provides a number of exclusions from the definition of "land" that is subject to this capital gains tax: land purchased by Vermont from qualifying charitable organizations; certain farm lands; and farmland or open space purchased by qualifying charitable organizations that will hold the land for at least six years. The value of timber or timber rights is specifically included in the determination of gain for purposes of this tax if the land is also sold within six years. (VT. STAT. ANN., tit. 32 §§ 10001 to 10011)

IX. PROTECTING MARINE RESOURCES

Finally, two of the New England states have imposed special taxes or fees designed to help finance the regeneration of important marine resources.



1. The Seed Oyster Assessment

Connecticut Connecticut requires a license in order to harvest oysters from state shellfish grounds which have been seeded by the state. The licensees must keep a record of the amount of oysters harvested, which they report in quarterly returns. They are also required to submit a tax with the quarterly return. The tax is imposed at a flat rate of 10 percent on the retail value of the oysters harvested from state shellfish grounds for the preceding quarter. A penalty of 10 percent of the tax due or \$50, whichever is greater, is imposed for failure to submit the tax due, plus interest of 1½ percent per month. Revenue derived from this tax is deposited in Connecticut's Shellfish Fund and used to purchase shell or other clutch material to be laid on state shellfish beds. (CONN. GEN. STAT. § 26-237a *et seq.*)

2. The Sardine Tax

Maine The importance of the sardine packing industry to Maine's economy prompted the development of a sardine tax. Persons engaged in the packing of sardines must pay an excise tax of 30¢ per case of packed sardines and 10¢ per case of kippers. A case is typically made up of 100 cans with a net weight of less than 7 ounces or 48 cans of over 7 ounces.

The Maine Sardine Council was developed in order to appropriate the revenue derived from this tax in excess of administration expenses, for purposes related to the merchandising and advertising of Maine sardines as well as for researching methods to propagate and conserve the supply and quality of sardines in Maine waters. (ME. REV. STAT. ANN. tit. 36 §§ 4691 to 4699)

3. The Mahogany Quahog Tax

Maine Maine imposes an excise tax of \$1.20 per bushel on dealers of mahogany quahogs, imposed at the point of sale. Revenue derived from this tax in excess of the costs of administration but not more than \$16,000 in any one year, is to be credited to the Toxin Monitoring Fund. (ME. REV. STAT. ANN. tit. 36 § 4711)

APPENDIX I: GLOSSARY OF TAX TERMS

This glossary describes in non-technical language some of the tax terms that appear in this publication.

Income Tax. A tax imposed by the state on income attributable to residents of the state or to non-residents' economic activity within the state. Income taxes can be imposed either on individual taxpayers or on business entities, such as corporations. Most states tax only net income -- income that remains after the subtraction of certain business or other qualified expenses. The tax rate that is applied to taxable income can either be a flat rate, in which case a fixed percentage of income must be paid in tax, or the tax rate can be progressive, in which case the rate of tax increases as the level of income increases. However, some states, such as Rhode Island and Vermont, determine personal income tax liability as a percentage of federal income tax liability, as opposed to a percentage of taxable income.

Tax Credit. A tax credit is an amount that the state allows a taxpayer to deduct from the income tax that otherwise would be paid to the state -- it is a credit against bottom line tax liability. Thus, a tax credit directly reduces the taxpayer's tax bill. The amount of the credit can be a specific dollar amount stated in the state's tax code (such as Maine's credit of up to \$200 for people who hire professional foresters to develop a forestry management plan), or it can be a percentage of some cost that the taxpayer has incurred (such as Connecticut's credit for 5 percent of the cost of air pollution abatement facilities). A state may provide tax credits to individual or corporate taxpayers.

Tax Deduction. A tax deduction allows taxpayers to reduce the taxable income that otherwise would be subject to the income tax. If a state wants to create an incentive for taxpayers to make certain kinds of expenditures, it may allow the taxpayers to take a deduction for those expenditures more quickly than otherwise would be allowed under the state's tax code, such as accelerating depreciation deductions or allowing the immediate deduction of a cost that otherwise would have to be spread over a number of years. A tax deduction and a tax credit each reduce the taxpayer's tax liability, but each affects a different step in tax calculation. A tax deduction helps the taxpayer by reducing the income subject to tax (and therefore the ultimate tax liability), while a tax credit is subtracted directly from the tax that otherwise would be due.

Tax Exemption. A tax exemption means that some activity, income or value that otherwise would be subject to tax will not be included in the tax calculation. In other words, the exempt item is ignored for tax purposes. For example, certain sales that otherwise would be subject to a sales tax may be exempt (such as exemptions for the purchase of solar energy equipment), and certain types of property may be exempt from

the property tax (such as van pool vehicles owned by employers).

Capital Gains Tax. A capital gains tax is a type of income tax. It taxes the gain (roughly speaking, the profit) a taxpayer realizes on the sale of property. The tax rate on capital gains may or may not be the same as the income tax rate that applies to other forms of income.

Franchise Tax. Some states impose a tax on corporations or other businesses in return for the privilege of operating within the state. This tax may be based on the amount of income generated by the business, on the amount of property owned by the business within the state or on the value of the company's stock.

Property Tax. Throughout New England, municipalities have the power to impose property taxes on individuals and businesses that own property within the municipality. As a general rule, property taxes are imposed based on the fair market value of property, and the tax rate is set at the level required to meet the municipality's budget requirements for the year. An exception to the general rule is that towns may assess certain types of land at its current use value (its value as timberland or farmland) rather than its fair market value (often its development value).

Fees. Fees are very similar in many respects to some types taxes, particularly sales taxes, because they impose a charge on certain types of activities. Fees traditionally have been used to cover administrative costs, such as the cost of licensing a car, but they start looking more like taxes when they increase in magnitude, have progressive rates, and/or are used to cover more than administrative costs. Whether a charge is called a tax or a fee sometimes will depend on whether it is being administered by the state's tax authorities or by another agency of the government.

APPENDIX II: TAXES IN THE NEW ENGLAND STATES AND NEW YORK

Because the tax mechanisms described in this publication build on the basic tax systems used by the individual states, this appendix provides a very brief overview of the taxes imposed by the New England states and New York.

Common to most New England states are: some form of state income tax paid by individuals; an income tax or franchise tax paid by corporations or other business enterprises doing business within the state; a sales tax imposed at the time products or services are purchased; and a property tax administered at the local level. This appendix focuses on these taxes, because they usually form the basis for many of the mechanisms described in this publication. For example, knowing the rate of the income tax will help determine the value of a special income tax credit and knowing the rate of the sales tax will help determine the value of a sales tax exemption. Please note, however, the states also impose a number of other types of taxes, not outlined here, such as real estate transfer taxes, fuel taxes (a number of which are described in previous pages) and taxes imposed at the time of death (inheritance and/or estate taxes).

Connecticut

Personal income tax:	4.5% of Connecticut taxable income
Corporation Business tax:	11% of net income from business transacted within the state
Sales tax:	6% of gross receipts from the sale or other use of taxable goods or services
Property tax:	rate set locally

Maine

Personal income tax:	progressive rate of tax on Maine taxable income increasing from 2% to 8.5% for incomes over \$32,400 (married)
Corporate income tax:	progressive rate of tax increasing from 3.5% up to 8.93% for income over \$250,000.

