

## **Working Waterfront Preservation: Opportunities Posed by Tax Policy – Executive Summary**

### INTRODUCTION and PURPOSE

Maine Sea Grant worked with an advisory committee of representatives from Maine Coastal Program, Maine Department of Revenue Services, Island Institute, Maine Coast Heritage Trust and University of Maine School of Law to identify tax strategies that pose opportunities for working waterfront preservation, and the legal and policy steps necessary for implementation. Research conducted by a student and faculty at the University of Maine School of Law was then refined by a tax attorney at the law firm of Bernstein Shur. The project has been funded by the National Sea Grant Law Center.

### FINDINGS

#### **Tax strategies posing opportunity for working waterfront preservation (see table for details)**

**1. Tax Funding for Land Banking.** Land banking is the purchase and holding of land to be conserved by a nonprofit land trust, state or municipality, often accomplished through purchase or transfer of development rights. Real estate transfer taxes and bond financing have been employed to fund land banking.

**2. State Property Tax Relief.** Provide relief to Maine property owners through current use taxation or property tax abatement.

**3. Federal and State Income Tax Incentives.** Incentives can be applied at both federal and state levels to promote a given public policy through income tax exemptions, credits or deductions which waive income tax obligation; reduce overall tax dollars paid; and reduce percentage of tax dollars paid, respectively. Creation of federal income tax deduction for charitable donation and state tax credit could be pursued.

### CONCLUSION

The greatest success will be achieved by combining strategies to promote statutory and regulatory policy changes at federal, state and local level. For example, at the state level, combining income tax credit with property tax relief could provide incentive to both investor and landowner. In another example, a federal tax deduction adds value to land banking where land banks holdings could include both purchases and charitable contributions.