

## Testimony Regarding Property Tax Stabilization Bills Before the Committee on Taxation March 16, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy. I am here today to testify:

- in **support** of LD 130, An Act to Eliminate Senior Citizen Property Tax Stabilization and Expand the Homestead Property Exemption, sponsored by Senator Rick Bennett;
- in **opposition** to LD 37, An Act to Amend the Laws Governing Property Tax Stabilization for Senior Citizens to Eliminate the Requirement for an Annual Application, sponsored by Sen. Matthew Pouliot; and
- in **opposition** to LD 529, An Act to Remove the Annual Filing Requirement in the Property Tax Stabilization Laws, sponsored Rep. Jennifer Poirier.

The property tax stabilization law passed by the 130<sup>th</sup> legislature freezes property taxes for Mainers 65 and older. There is no question that older Mainers with low income are struggling to afford the basics including housing and property taxes, but this tax freeze misses the mark at addressing this hardship and will draw heavily on state resources. This program will cost an estimated \$46 million in FY24 to FY25, ballooning to over \$100 million in the biennium after that. It will continue to grow in future biennia as more Mainers qualify for the program and the state has to reimburse increasing costs to municipalities for the lost property tax.

This program will shower much of its benefits on economically secure seniors while having little benefit for seniors who are struggling to afford their property tax bills today. Based on analysis we requested from the Institute on Taxation and Economic Policy, the top 20 percent of Maine income earners who qualify for this program will receive almost 40 percent of the benefits. This program freezes property taxes for folks living in modest homes and waterfront mansions alike. The state already has policies in place to help struggling seniors with this issue that are much better alternatives, provide a better benefit to older people with low income, and cost considerably less to provide, including the Property Tax Fairness Credit, the Homestead Exemption, and the Property Tax Deferral Program.

We support Senator Bennett's proposal to eliminate the senior property tax freeze. We also are aware there are other bills proposing to change this program. If the committee does decide to keep it, we urge you to add income and asset limits to the eligibility criteria, in which case keeping an annual application would be important.

Further, we would draw your attention to the fact that municipalities decide what their local priorities are and how much their property taxes will increase in any given year, not the state. If the program exceeds what the state can reimburse municipalities, these costs will be shifted to other local property taxpayers, disproportionately pushing up their tax rates.

All older Mainers deserve access to safe and affordable housing, without the fear of being unable to pay their bills or losing their home as they age. Reducing the costs of homeownership can help older Mainers with low income become more housing secure. We agree this is an important priority. But freezing the property taxes of Mainers with means to pay them transfers these costs to other Mainers and is the wrong approach.

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