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STATE OF MAINE
ONE HUNDRED AND THIRTY SECOND LEGISLATURE
COMMITTEE ON TAXATION

TO: Senator Margaret Rotundo, Senate Chair
Representative Drew Gattine, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Nicole Grohoski, Senate Chair
Representative, Kristen Cloutier, House Chair
Joint Standing Committee on Taxation

DATE: January 30, 2025

RE: Recommendations on the Governor's Proposed Supplemental Budget
LD 209

The Joint Standing Committee on Taxation met on January 28, 2025, to review the initiatives and language in the Governor's proposed supplemental budget under the committee's jurisdiction. Our committee's recommendations are summarized in the attached 'report-back' template. The Report Back includes the recorded votes of the committee relevant to Part A and the relevant Language in Part C. We have included draft amendment language for a proposed amendment to Part C, which is included as 'Exhibit A' to the Committee's Report Back.

Sincerely,

A blue ink signature of Nicole Grohoski.

Nicole Grohoski
Senate Chair

Geoffrey S. Lewis,
OFPR Senior Legislative
Analyst O/B/O

A blue ink signature of Kristen Cloutier.

Kristen Cloutier
House Chair

Geoffrey S. Lewis,
OFPR Senior Legislative
Analyst O/B/O

c: Joint Standing Committee on Taxation

Sec. A-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Homestead Property Tax Exemption Reimbursement 0886

Initiative: Reduces funding for the Homestead Property Tax Exemption Reimbursement program.

| | | | | | | |
|---------------------------|----------|--------------------------|-----------------|----------------|----------------|----------------|
| Ref. #: 7 | One Time | Committee Vote: | In - 8; Out - 4 | AFA Vote: | | |
| | | In _____ | Out _____ | | | |
| | | Sen. Grohoski (Co-Chair) | Rep. Lavigne | | | |
| | | Rep. Cloutier (Co-Chair) | Rep. Quint | | | |
| GENERAL FUND | | Sen. Bickford | Rep. Rudnicki | 2024-25 | 2025-26 | 2026-27 |
| All Other | | Rep. Crockett | Rep. White | | | |
| | | Rep. Friedmann | | (\$14,000,000) | \$0 | \$0 |
| GENERAL FUND TOTAL | | Rep. Matlack | | | | |
| | | Rep. Sayre | | (\$14,000,000) | \$0 | \$0 |
| | | Rep. Swallow | | | | |

Justification:

Total Homestead Property Tax Exemption Reimbursements have been dropping the past couple of years, even as the reimbursement rate has been increasing due to rapid increases in the real estate market reducing the values of the homestead relative to the market value of residential properties. With the market slowing, anticipated stabilization of the reimbursement with gradual increases in the future years is expected.

Property Tax Stabilization Z368

Initiative: Provides one-time allocation to fully reimburse municipalities for lost revenue under the Property Tax Stabilization program established pursuant to Public Law 2021, chapter 751 as amended by Public Law 2023, chapter 412 sec. S-10.

| | | | | | | |
|---------------------------------------|--|--------------------------|-----------------|----------------|----------------|----------------|
| Ref. #: 11 | | Committee Vote: | In - 7; Out - 5 | AFA Vote: | | |
| | | In _____ | Out _____ | | | |
| OTHER SPECIAL REVENUE FUNDS | | Sen. Grohoski (Co-Chair) | Rep. Lavigne | 2024-25 | 2025-26 | 2026-27 |
| All Other | | Rep. Cloutier (Co-Chair) | Rep. Quint | | | |
| | | Sen. Bickford | Rep. Rudnicki | \$1,000,000 | \$0 | \$0 |
| | | Rep. Crockett | Rep. Swallow | | | |
| OTHER SPECIAL REV. FUNDS TOTAL | | Rep. Friedmann | Rep. White | \$1,000,000 | \$0 | \$0 |
| | | Rep. Matlack | | | | |
| | | Rep. Sayre | | | | |

Justification:

This initiative provides a one-time allocation to support higher than anticipated reimbursements to municipalities authorized pursuant to Public Law 2021, chapter 751, An Act To Stabilize Property Taxes for Individuals 65 Years of Age or Older Who Own a Homestead for at Least 10 Years.

Property Tax Stabilization Mandate Z369

Initiative: Provides one-time allocation to reimburse municipalities for state mandated costs related to implementation and administration of the Property Tax Stabilization program enacted in Public Law 2021, chapter 751 and amended by Public Law 2023, chapter 412 sec. S-10.

| | | | | | | |
|------------------------------------|----------|--------------------------|-----------------|----------------|----------------|----------------|
| Ref. #: 13 | One Time | Committee Vote: | In - 8; Out - 4 | AFA Vote: | | |
| | | In _____ | Out _____ | | | |
| OTHER SPECIAL REVENUE FUNDS | | Sen. Grohoski (Co-Chair) | Rep. Quint | 2024-25 | 2025-26 | 2026-27 |
| All Other | | Rep. Cloutier (Co-Chair) | Rep. Rudnicki | | | |
| | | Sen. Bickford | Rep. Swallow | \$46,000 | \$0 | \$0 |
| | | Rep. Crockett | Rep. White | | | |
| | | Rep. Friedmann | | | | |
| | | Rep. Lavigne | | | | |
| | | Rep. Matlack | | | | |
| | | Rep. Sayre | | | | |

| | | | |
|-----------------------------------|----------|-----|-----|
| OTHER SPECIAL REVENUE FUNDS TOTAL | \$46,000 | \$0 | \$0 |
|-----------------------------------|----------|-----|-----|

Justification:

This initiative provides a one-time allocation to support higher than anticipated reimbursements to municipalities authorized pursuant to Public Law 2021, chapter 751, An Act To Stabilize Property Taxes for Individuals 65 Years of Age or Older Who Own a Homestead for at Least 10 Years.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

| DEPARTMENT TOTALS | 2024-25 | 2025-26 | 2026-27 |
|------------------------------------|-----------------------|------------|------------|
| GENERAL FUND | (\$14,000,000) | \$0 | \$0 |
| OTHER SPECIAL REVENUE FUNDS | \$1,046,000 | \$0 | \$0 |
| DEPARTMENT TOTAL- ALL FUNDS | (\$12,954,000) | \$0 | \$0 |

Sec. A-23. Appropriations and allocations. The following appropriations and allocations are made.

TREASURER OF STATE, OFFICE OF

Disproportionate Tax Burden Fund 0472

Initiative: Adjusts funding to align with revenue projections from the December 1, 2024 revenue forecast.

Ref. #: 266 One Time Committee Vote: AFA Vote:

| OTHER SPECIAL REVENUE FUNDS | 2024-25 | 2025-26 | 2026-27 |
|--|--------------------|----------------|----------------|
| All Other | \$2,795,810 | \$0 | \$0 |
| OTHER SPECIAL REVENUE FUNDS TOTAL | \$2,795,810 | \$0 | \$0 |

Notes:

Informational only. Not part of the Public Hearing. Policy Committees need not make a recommendation on initiatives that align Other Special Revenue allocations with the Revenue Forecast.

Justification:

This initiative aligns allocation with December 1, 2024 revenue forecast.

State - Municipal Revenue Sharing 0020

Initiative: Adjusts funding to align with revenue projections from the December 1, 2024 revenue forecast.

Ref. #: 264 One Time Committee Vote: AFA Vote:

| OTHER SPECIAL REVENUE FUNDS | 2024-25 | 2025-26 | 2026-27 |
|--|---------------------|----------------|----------------|
| All Other | \$11,183,237 | \$0 | \$0 |
| OTHER SPECIAL REVENUE FUNDS TOTAL | \$11,183,237 | \$0 | \$0 |

Notes:

Informational only. Not part of the Public Hearing. Policy Committees need not make a recommendation on initiatives that align Other Special Revenue allocations with the Revenue Forecast.

Justification:

This initiative aligns allocation with December 1, 2024 revenue forecast.

TREASURER OF STATE, OFFICE OF

DEPARTMENT TOTALS

OTHER SPECIAL REVENUE FUNDS

DEPARTMENT TOTAL- ALL FUNDS

| | 2024-25 | 2025-26 | 2026-27 |
|--|---------------------|------------|------------|
| | \$13,979,047 | \$0 | \$0 |
| | <u>\$13,979,047</u> | <u>\$0</u> | <u>\$0</u> |

PART C

Sec. C-1. 36 MRSA §111, sub-§1-A, as amended by PL 2023, c.619, §1 and affected by §2, is further amended to read:

1-A. Code. “Code” means the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, ~~2023~~ 2024.

Sec. C-2. Application. This Act applies to tax years beginning on or after January 1, 2024 and to any prior tax year as specifically provided by the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, 2024.

Vote: In – 12; Out – 0 as amended in attached Exhibit A

| In | Out |
|--------------------------|-----|
| Sen. Grohoski (Co-Chair) | - |
| Rep. Cloutier (Co-Chair) | |
| Sen. Bickford | |
| Rep. Crockett | |
| Rep. Friedmann | |
| Rep. Lavigne | |
| Rep. Matlack | |
| Rep. Quint | |
| Rep. Rudnicki | |
| Rep. Sayre | |
| Rep. Swallow | |
| Rep. White | |

PART C SUMMARY

This Part updates references to the United State Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 to refer to the United States Internal Revenue Code of 1986, as amended through December 13, 2024, for tax years beginning on or after January 1, 2024 and for any prior tax year as specifically provided by the United State Internal Revenue Code of 1986, as amended.