

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: 5/17/23

LD 1648 – An Act to Make Changes to the Farm and Open Space Tax Law

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against *LD 1648 – An Act to Make Changes to the Farm and Open Space Tax Law*.

LD 1648 repeals the tiered categories and rate valuation reductions set forth in 36 MRSA § 1106-A under the Farm and Open Space tax benefit program, replacing it with a new method, categories, and rates of valuation reductions. Moreover, the bill provides for municipal reimbursement by the State – an element not present in the current farm and open space tax law or in the other “current use” programs except for the Tree Growth program. Current use valuations are not “exemptions” and thus are not subject to constitutionally required 50% reimbursement. Expanding municipal reimbursement here likely opens the door to similar proposals for the other current use programs.

The bill does not expressly contain an enforcement mechanism, such as is provided under the Tree Growth Tax Law program, for landowners who do not comply with the ten-year renewal period for wildlife habitat management plans or carbon conservation management plans.

While this bill will significantly reduce the value of most land in the Open Space program, there may be some taxpayers with an increase in value due to this change. Further, many of the nearly 3,000 taxpayers with land currently in the Open Space program will have to apply for applicable agreements with the Department of Agriculture, Conservation and Forestry (“DACF”) and then reapply for the Open Space program, creating a significant amount of work for both municipal assessors and DACF. Finally, this bill will trigger the 90% State reimbursement for mandated costs as required by the Maine Constitution, Article IX, Section 21.

In sum, this bill substantially changes the Farm and Open Space program and creates a municipal reimbursement for current use program that is not constitutionally required to be reimbursed. A change of that magnitude should be carefully considered for both the precedent it creates with respect to other current use programs and its budget impact.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.