

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

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

*LD 1737 – An Act to Provide up to \$5,000 in Property Tax Relief to Veterans*

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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 1737 – *An Act to Provide up to \$5,000 in Property Tax Relief to Veterans*

Current law provides a \$6,000 exemption from property taxes to veterans who served in the Armed Forces of the United States during a federally recognized war period once they reach the age of 62 years or are receiving a pension or compensation from the Federal Government for total disability as a veteran. Current law also provides that a veteran who is disabled by injury or disease incurred during active military service is eligible for the \$6,000 exemption, regardless of when that service was performed.

This bill provides an exemption limited to the value associated with \$5,000 in property tax from property taxes for veterans who were disabled during active military service and who are receiving a pension or compensation from the United States Government for total, service-connected disability.

This bill would have a significant cost impact and may have constitutional and administrative issues. Any discussion of expanding the exemption for veterans

should be coordinated with any action on the property tax stabilization program and property tax relief programs in general.

A property tax exemption limited to the value associated with \$5,000 in property tax may raise issues under the Maine Constitution, article IX, section 8 which requires property taxes to “be apportioned and assessed equally according to the just value thereof.” Other property tax exemptions are limited by a certain amount of assessed value, not by the amount of tax.

In addition, the term “estate” is broad and includes all real and personal property owned by a person. While the language limits it to property located in the town of residence, this could include vacation property, rental property, and business property, in addition to the primary residence. Although the term “estate” is currently used in 36 M.R.S. § 653(1)(C), the financial impact if this LD would be significantly greater than it is with an exemption limited to \$6,000 of just value.

The Administration would like to note the following administrative and technical concerns.

- The changes in this bill are not applied to the exemption for disabled veterans under 36 M.R.S. § 653(1)(D-1).
- This proposal will trigger the 50% State reimbursement requirement under the Maine Constitution, article IV, section 23, for loss of revenue.
- This proposal will trigger the 90% State reimbursement requirement under the Maine Constitution, article IX, section 21, for costs to the municipalities to administer the new exemption.
- Limiting the exemption to the property value associated with \$5,000 in tax would be administratively burdensome for assessors to calculate.

Additionally, the exemption will have to be applied after the commitment of taxes since that is the point at which the tax liability is determined.

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.