

## Testimony in Support of LD 1454, An Act Regarding the Distribution of Revenue from the Real Estate Transfer Tax

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 submitting this testimony in favor of LD 1454 which in its revised form with the sponsor's amendment would create a fairer real estate transfer tax and could bolster state funding for affordable housing programs.

Maine's real estate transfer tax is assessed when a piece of real estate changes ownership and is assessed as a \$2.20 tax for every \$500 in purchase price. The sponsor's amendment to LD 1454 would alter the structure of the transfer tax to create two brackets with different tax rates —\$2.20 tax for every \$500 in purchase price up to \$1 million and \$2.70 tax for every \$500 in purchase price that exceeds \$1 million.

The comparison chart below shows real estate transfer taxes owed on residences of various prices under the existing law and the new policy proposed in the sponsor's amendment to LD 1454. Real estate transfers valued at more than a million dollars would pay a higher transfer tax under LD 1454, and transfers valued at a lower price would pay the same under this proposal.

Purchase Price on Primary Residence	Current Law \$2.20 per \$500	LD 1454 with amendemnt \$2.20 per \$500 up to \$1 million \$2.70 per \$500 over \$1 million	\$ Change in tax
\$150,000	\$660	\$660	No change
\$250,000	\$1,100	\$1,100	No change
\$500,000	\$2,200	\$2,200	No change
\$1,000,000	\$4,400	\$4,400	No change
\$2,000,000	\$8,800	\$9,800	+ \$1,000
\$5,000,000	\$22,000	\$26,000	+ \$4,000
\$10,000,000	\$44,000	\$53,000	+ \$9,000

Source: MECEP calculations

The 50-cent increase in real estate transfer tax for every \$500 of value over \$1 million represents an effective tax rate increase of .1 percentage points, which means a \$1,000 increase for every million dollars over a \$1,000,000 in sale price.

Many families in Maine with low- and middle-income are struggling to secure safe and affordable housing. This bill would help secure much needed additional funding for the HOME fund and Housing First fund. This bill would make the transfer tax better structured—asking more of people with greater wealth—and it would increase the

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resources available for housing affordability programs that the real estate transfer tax funds.

I urge this committee to support LD 1454. Thank you for your time and I would be happy to answer any questions.

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