

**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: *March 5, 2025*

LD 435 – “*An Act to Expand the Historic Property Rehabilitation Tax Credit*”

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, 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 Against LD 435, “*An Act to Expand the Historic Property Rehabilitation Tax Credit.*”

Part A of the bill is nearly identical to LD 1810, as amended, which was presented during the 131st Legislature (Died Upon Conclusion). Part B of this bill is nearly identical to LD 2106, as amended, presented during the 131st Legislature (Died Upon Conclusion) and LD 146 presented this Session on which Maine Revenue Services provided a memo to this Committee. The information in that memo applies to Part B of this bill as well.

For tax years beginning on or after January 1, 2025, Part A establishes a new personal refundable tax credit for rehabilitation and weatherization of certified historic homes up to a maximum credit of \$50,000 per home. This refundable credit would be much larger than others offered by the State for personal use. In comparison to the proposed \$50,000 credit, the Property Tax Fairness Credit, a credit that provides property tax relief to low-income and elderly taxpayers, has a maximum credit of \$1,000 for those under 65 and \$2,000 for those over 65.

Part A of the bill also proposes to increase the tax credit for rehabilitation of historic properties under 36 M.R.S. § 5219-BB for taxpayers not claiming the federal rehabilitation credit. The maximum QRE amount would be increased from \$250,000 to \$1,000,000. This would effectively increase the annual maximum credit amount from \$62,500 (\$87,5000 for an affordable housing project) to \$300,000 (\$350,000 for an affordable housing project).

Currently, the state credit amount generally is equal to 25% of the qualified rehabilitation expenditures (“QREs”) between \$50,000 and \$250,000 related to a historic structure certified by the Maine Historic Preservation Commission (“MHPC”). This credit is increased to 35% of QREs for an affordable housing project as certified by the Maine State Housing Authority.

The Department notes that with respect to QREs claimed for the rehabilitation of historic properties for taxpayers not claiming the federal rehabilitation credit, it is not clear if the proposed \$1 million limit applies to each project or is a life-time limit that applies to each structure. Unless the limit applies on a lifetime basis, it could be used for multiple projects related to the same structure.

The preliminary fiscal impact estimate in FY 2029 is a \$2,162,000 revenue loss.

The preliminary estimated administrative costs are \$33,662 in FY 2025-2026 for one-time computer programming and related system testing costs required to add an additional line to the individual income tax return to accommodate the new rehabilitation and weatherization tax credit.

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.