

Testimony in Neither for Nor Against LD 715 of An Act to Provide Property Tax Relief by Increasing the Availability of the Property Tax Fairness Credit Based on a Resident's Age and Income

March 5, 2025

Sen. Grohoski, Rep. Cloutier, and members of the Taxation Committee, my name is Maura Pillsbury and I am a tax policy analyst at Maine Center for Economic Policy. We are testifying neither for nor against LD 715. We appreciate Rep. Milliken putting forward this bill, the aim of which we believe is to expand the Property Tax Fairness Credit for Mainers over 65 with low incomes.

The Property Tax Fairness Credit is an important tool for offsetting the cost of property taxes for Mainers with low and middle income. Currently qualifying recipients over 65 can receive a credit of up to \$2,000, and those under 65 can receive a credit of up to \$1,000.

Rep. Milliken's bill proposes to change the calculation of the benefit amount for those over 65 with income at or under \$36,000 so the amount of benefit received is the amount of property taxes paid in excess of 3% of income, rather than 4% of income which is the threshold currently in the law.

Changing percentage of income in the benefit calculation primarily benefits recipients with higher incomes and therefore we are generally opposed to this. Therefore, the component of the bill limiting the income of the recipient is important and we believe well-intended. However, those under 65 with income at or below \$36,000 will receive the maximum benefit possible whether their calculation is 3% or 4% of income. This is illustrated in the first table below.

The change proposed in this bill would have a positive impact for renters, who have a lower benefit base calculated as 15% of their rent. This is shown in the second table below. Based on census data,¹ we estimate approximately 18% of Mainers over the age of 65 rent. Increasing the percentage of rent used to calculate benefit base is another way to give renters a greater benefit. This would be a more targeted way to accomplish the same impact as the policy proposed in this bill.

We hope the Committee will explore additional ways to expand the Property Tax Fairness Credit because it is an important benefit for Mainers. There will be other bills coming before you this session and we look forward to being a part of those conversations.

Thank you for your time. I would be happy to answer any questions.
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Examples

Formula for benefit: Benefit base - (X% of income)
(maximum benefit amount of \$2,000 for >65, or full amount of property tax, whichever is less)

Homeowners

Income	3% of income	Difference between benefit base (\$4,000) and 3% of income	4% of income	Difference between benefit base (\$4,000) and 4% of income	Maximum benefit
\$1,000	\$30	\$3,970	\$40	\$3,960	\$2,000
\$10,000	\$300	\$3,700	\$400	\$3,600	\$2,000
\$20,000	\$600	\$3,400	\$800	\$3,200	\$2,000
\$36,000	\$1,080	\$2,920	\$1,440	\$2,560	\$2,000

Renters (example assumes rent of \$1,000 per month)

Income	Annual rent	Benefit base (15% of rent)	3% of income	Difference between benefit base and 3% of income	4% of income	Difference between benefit base and 4% of income	Increase in benefit
\$1,000	\$12,000	\$1,800	\$30	\$1,770	\$40	\$1,760	\$10
\$10,000	\$12,000	\$1,800	\$300	\$1,500	\$400	\$1,400	\$100
\$20,000	\$12,000	\$1,800	\$600	\$1,200	\$800	\$1,000	\$200
\$30,000	\$12,000	\$1,800	\$900	\$900	\$1,200	\$600	\$300
\$36,000	\$12,000	\$1,800	\$1,080	\$720	\$1,440	\$360	\$360

Additional information - how the Property Tax Fairness credit works:

The goal of the program is to give a benefit to those who pay more than 4% of their income in property taxes, within certain income limits. In practice, this means that currently a qualifying filer will receive EITHER a credit of \$1,000 (age <65) or \$2,000 (age 65+), OR the difference between the benefit base and 4% of their income — whichever is less. The benefit also cannot exceed the amount paid in property taxes.

In other words, the benefit is the lower of:

- the cap in statute
- the amount paid in property tax that exceeds 4% of income (within certain limits set by the benefit base)
- for renters, 15% of rent paid (not including utilities) that exceeds 4% of income

Current Law Benefit base	Income threshold	Credit cap	Rent equivalent
one-person household <65: \$2,450	4%	<65: \$1,000	15%
two-person household <65: \$3,200		65+: \$2,000	
three-person+ household <65: \$3,900			
any size household 65+: \$4,000			

ⁱAmerican Community Survey 2023, Maine occupied housing units,
<https://data.census.gov/table/ACSST1Y2023.S2502?q=maine+tenure>
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