



### **Testimony Neither For nor Against LD 745:**

**“An Act to Allow a Municipality to Sell Tax-acquired Property in Any Manner  
Authorized by the Municipality's Legislative Body”**

Senator Grohoski, Representative Cloutier, and the distinguished members of the Committee on Taxation, my name is Harris Van Pate, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to provide testimony neither for nor against LD 745, "An Act to Allow a Municipality to Sell Tax-Acquired Property in Any Manner Authorized by the Municipality's Legislative Body."

While we strongly support local control over municipal decision-making and recognize the need for greater flexibility in handling tax-acquired properties, we also believe property owners deserve protections to ensure their equity is not unjustly taken. In its current form, LD 745 does not provide sufficient safeguards to prevent what could become widespread home equity theft. Courts and policymakers nationwide have recognized this issue as a growing concern.

### **Concerns About Home Equity Theft**

Without additional safeguards, this bill could unintentionally result in property owners losing significant home equity. When municipalities seize and sell tax-acquired properties, any revenue exceeding the tax debt should rightly belong to the former owner. Still, this bill might allow towns to, purposefully or not, sell seized properties substantially below the market rate. The U.S. Supreme Court's decisions in *Knick v. Township of Scott* and *Tyler v. Hennepin County* reinforce the principle that the government must provide just compensation when taking private property, and the bill's current form might conflict with that.

### **Recommended Amendments to LD 745**

To balance local control with property rights protections, we propose amending the bill to include the following protections:

- **Mandating Fair Market Valuation**
  - The municipality must obtain an independent appraisal of the property's fair market value within twelve months before selling it.
  - The sale price may not fall below the appraised value.
  - The appraisal must be submitted to the State Tax Assessor prior to the sale.



- **Affirming Constitutional Protections**

- Any proceedings under this bill must comply with a municipality's affirmative duty to provide just compensation when the property is taken, as established by *Knick v. Township of Scott*. Furthermore, the court unanimously held in *Tyler v. Hennepin County* that home equity theft is a takings clause violation, showing that this bill in its current form could lead to potential constitutional violations.

**Proposed Legislative Language:**

To reflect these necessary changes, we suggest amending the bill to incorporate the following new subsection into 36 MRSA §943-C to contextualize the role of the property owner's rights in the process described in the bill's section 4-B:

**4-C. Requirements for properties sold through municipally approved processes.** For any municipal sale under §943-C, sub-§4-A or B, the municipality must obtain an independent appraisal of fair market value for any property sold under subsection 4-B within twelve months before the sale. The appraisal must be submitted to the State Tax Assessor prior to sale. The sale price may not fall below the value indicated by this appraisal. Any proceedings under 4-A or 4-B must comply with the municipality's affirmative duty to pay just compensation after takings of property as ruled by the Supreme Court in *Knick v. Township of Scott*, and the principle that home equity theft is a violation of constitutional rights under *Tyler v. Hennepin County*.

**Conclusion**

By implementing these safeguards, LD 745 can empower municipalities with flexibility and ensure that property owners are not unfairly deprived of their home equity. We urge the committee to adopt these amendments to protect Maine homeowners while maintaining the bill's intent to enhance local governance. Thank you for your time and consideration.