



Testimony in Support of LD 542:

“An Act Regarding Municipal Property Tax Levy Limits”

Senator Baldacci, Representative Salisbury, and distinguished members of the Committee on State and Local Government, 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 testify in support of LD 542, “An Act Regarding Municipal Property Tax Levy Limits.”

Maine’s property tax burden is among the highest in the nation, disproportionately affecting working families, small businesses, and retirees living on fixed incomes. LD 542 aims to reinstate municipal property tax levy limits to ensure responsible fiscal management at the local level while protecting Maine taxpayers from unchecked tax increases. This bill follows the framework of the municipal levy limit system enacted initially in Public Law 2005, Chapter 2 (LD 1), which sought to balance municipal revenue needs with taxpayer protections. Unfortunately, repealing these limits last session removed an essential safeguard, allowing local budgets to grow at unsustainable rates, a problem already worsened by municipal revenue sharing policies.¹

The Need for Municipal Tax Levy Limits

Uncontrolled growth in municipal spending drives up property taxes, increasing the cost of living and doing business in Maine. Without a cap on municipal tax levy increases, local governments may feel less incentive to exercise fiscal discipline, leading to undue financial strain on residents. LD 542 provides a sensible solution by reinstating property tax levy limits, ensuring municipalities operate within reasonable budgetary constraints while allowing adjustments in extraordinary circumstances.

Economic Consequences of High Property Taxes

Maine has struggled with economic stagnation and population decline, particularly in rural areas. High property taxes deter business investment, hinder home ownership, and contribute to the outmigration of working-age Mainers. A 2025 tax competitiveness report from the Tax Foundation ranked Maine’s property tax the third worst in the country, tying with Washington D.C.² If left unaddressed, these increasing costs will continue discouraging economic growth and make it harder for Maine residents to afford their homes.

¹ <https://mainepolicy.org/wp-content/uploads/261721109-Revenue-Sharing-Report.pdf>

² <https://taxfoundation.org/research/all/state/2025-state-tax-competitiveness-index/>



Ensuring Local Flexibility While Protecting Taxpayers

LD 542 recognizes that municipalities may face unexpected financial needs. The bill allows tax levy limits to be exceeded under specific conditions, ensuring that essential services are not disrupted while preventing unnecessary tax increases. By requiring a higher threshold for override approval, the legislation encourages local governments to explore alternative funding mechanisms, prioritize essential expenditures, and increase efficiency before resorting to tax hikes.

Historical Success of Levy Limits

The original levy limit law enacted in 2005 effectively curbed excessive property tax increases, allowing municipalities to fund necessary services. LD 542 reinstates a proven policy that balances local budget needs with taxpayer protections, helping to create a more predictable and sustainable tax environment for all Mainers.

Conclusion

Maine must take proactive steps to control property tax increases and foster an environment of economic stability. By reinstating municipal property tax levy limits, LD 542 ensures that local governments are held accountable while allowing for reasonable growth and flexibility. We urge the committee to support this bill and restore an essential safeguard for Maine taxpayers. Thank you for your time and consideration.