

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on State and Local Government
Hearing Date: *March 17, 2025*

LD 542 – “*An Act Regarding Municipal Property Tax Levy Limits*”

Senator Baldacci, Representative Salisbury, and members of the Committee on State and Local Government – good morning, 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 542, “*An Act Regarding Municipal Property Tax Levy Limits.*”

To provide a background, in 2024, the Legislature repealed 30-A M.R.S. § 5721-A, which limited the total levy that could be raised by a municipality via the property tax each year. The bill proposes returning the municipal levy limit in substantially the same form as it existed before its repeal.

The language of the bill in subsection 7 allows municipalities to exceed the levy limit in response to certain “extraordinary circumstances,” but then requires the municipality in subsection 8 to transfer any funds exceeding the levy limit to a property tax relief fund. This limitation appears to negate any benefit from exceeding the levy limit and may hamper a municipality’s ability to respond to an extraordinary circumstance.

Furthermore, the now-repealed statute being revived by the bill was widely regarded as confusing, burdensome for municipalities, and not effective in achieving its original goals. For instance, enforcement of a levy limit is difficult, as this bill (and the previous statute) has no penalties and provides no guidance on

how MRS is expected to force an adjustment of a property tax levy over the limit. Having the State pick and choose which budget items to remove from the municipality's budget in order to comply with the levy limit, for example, would raise significant concerns about separation of powers, as all of the budget items would have been voted on and approved by the municipal legislative body.

The administrative and fiscal impacts of the bill can otherwise be absorbed under current budgetary allotments.

In closing, the Administration opposes this bill and recommends that it be debated in consultation with the State Economist, since the State Economist was responsible for a portion of the levy limit calculation.

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.