

Testimony in Opposition to LD 559 An Act to Provide Property Tax Stabilization for Older Maine Residents

March 19, 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 in opposition to LD 559.

This bill would allow municipalities to adopt a 1% local option sales tax on prepared food and lodging. The bill requires municipalities who wish to adopt the tax to do so via municipal referendum, and requires all proceeds (net of state administrative costs) to be used to fund a local property tax stabilization program which would freeze all future property tax payments at the current amount. The bill sets minimum eligibility requirements for age (no less than 62) and ownership of a homestead in the state (at least 10 years).

Let me first say we appreciate the intent of this bill, which is to make property taxes more affordable for older Maine residents. However, Maine has past experience with creating a statewide property tax stabilization program. Like the programs this bill proposes to allow communities to create, that program had no means testing, meaning the greatest benefits fell on those with the most expensive homes. The examples below are from actual homeowners that participated in the property tax stabilization program.

- The owner of a **\$1.9 million** house with **\$26,304** in property taxes in 2023, and **\$23,529** in taxes in 2022 had a one-year property tax savings of **\$2,775**
- The owner of a **\$240,000** house with **\$2,937** in property taxes in 2023, and **\$2,625** in taxes in 2022 had one-year property tax savings of **\$312ⁱ**

Due to the unpredictable and rapidly ballooning costs of the state program and the misalignment between the policy's intent to help housing insecure older Mainers and what it did in reality, which was provide bigger tax breaks for wealthy homeowners, the Legislature course corrected and ended the program after just one year.ⁱⁱ

The state has several other programs to provide targeted support to older Mainers struggling to pay their property taxes, including the property tax fairness credit (which includes both homeowners and renters) and property tax deferral program. The state also has a law, 36 MRSA Chapter 907-A, Municipal Property Tax Assistance, that allows municipalities to create their own property tax assistance programs for older Mainers. §6232 gives municipalities the authority "by ordinance to adopt a program to provide benefits to persons with homesteads in the municipality" as long as the program is available to both homeowners and renters and provides greater benefits to claimants with lower incomes relative to their property taxes.

We recently testified before the Committee Neither for Nor Against two other local option lodging tax proposals, LD 632 and LD 746 and would refer you that testimony for our thoughts on local option sales taxes.

Given these strong existing programs and the inherent flaws of property tax stabilization programs, we respectfully urge the Committee to vote this bill ought not to pass.

Thank you for your time. I would be happy to answer any questions.
You can reach me at maura@mecep.org.

ⁱ Information from the Freeport property tax assessor's database and the Town of Freeport, freeportmaine.com.
The town tax rate in this example increased from 12.21 in 2021 to 13.65 in 2022.

ⁱⁱ Maine Center for Economic Policy, "Property tax freeze fix would benefit older Mainers who need it most." 21 June 2023.