TESTIMONY OF
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Before the Joint Standing Committee on Taxation
Hearing Date: *April 2, 2025*

LD *1144 – "An Act to Reinstate the Property Tax Stabilization Program*"

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – 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 1144, "*An Act to Reinstate the Property Tax Stabilization Program.*"

Beginning with the Administration's legal and statutory concerns, as was the case with the original Stabilization Program, the stabilization of taxes for select groups raises concerns around the requirement in the Maine Constitution, Art. IX, § 8, that all property taxes be assessed and apportioned equally. Furthermore, basing the stabilization amount on the "assessed value" of the property may create confusion and uncertainty with taxpayers and the public in the future since market forces, revaluations, and other changes may affect the assessed value of the property and therefore the stabilized amount.

The original Stabilization Program allowed participants to buy a significantly larger, more expensive house but bring their lower stabilized tax amount with them. The bill retains the language allowing this type of transfer, which was one of the most common criticisms of the original Program.

The bill would create a substantial administrative burden for municipal officials, requiring the annual review and processing of applications, along with the submission of detailed reimbursement information to the State for a significant number of taxpayers.

In addition, stabilizing the property taxes due for the first $900,000 of assessed value will effectively create a two-tiered tax rate for properties within the municipality, creating complexity and significant additional work for assessors and other municipal officials. Under the language of the bill, the State would be required to reimburse the municipalities for the administrative costs.

While the full fiscal impact of this bill is not available at this time, a revival of this Program would reduce General Fund revenue by $19,358,000 during Fiscal Year 2027, $45,401,000 during Fiscal Year 2028, and $73,096,000 during Fiscal Year 2029. The bill would also result in increased costs to the State in order to reimburse municipalities for their costs in administering the Program. Lastly, the bill would cause an increase in administrative costs for MRS to track, process, and review the reimbursement requests from municipalities.

In conclusion, I'll note that the Property Tax Stabilization Program was generally regarded as expensive, poorly targeted, and complicated to administer. The Program, both in its original form and under this bill, is also not means-tested, so most of the property tax relief will end up being provided to wealthier taxpayers with higher value properties in higher income areas. The Administration therefore opposes LD 1144 because, while it makes the repealed stabilization less expensive, it makes the Program much more complicated for taxpayers to apply for and municipal officials to administer.

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.