

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

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

LD 1206 – “*An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover*”

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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 1206, “*An Act to Control Property Taxes by Increasing the Percentage of the Business Equipment Tax Exemption That Municipalities May Recover.*”

LD 1206 would result in a significant General Fund revenue loss. Further, significant increases in revenue sharing and K-12 funding has been provided to the municipalities legislation by legislation enacted since FY19.

One technical item to raise: the reimbursement provided under the bill likely exceeds the reimbursement percentages available under the “enhanced BETE reimbursement” under 36 M.R.S. § 694(2)(B) and 36 M.R.S. § 694(2)(C). It is unclear whether this is intended, or if 36 M.R.S. § 694(2)(B) and (C) should be amended to exceed the base reimbursement rate.

From a fiscal estimate perspective, this bill will result in a General Fund revenue loss of approximately \$50 million per year once the 80% reimbursement is reached. An estimate of the administrative costs associated with this bill is unavailable at this time but there will likely be some initial programming and

administrative costs for the State to administer the staggered increase in municipal reimbursement.

In closing, the administration is against L.D. 1206 because of the significant General Fund revenue loss.

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.