

**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 3, 2025*

LD 1082 – “*An Act to Invest in Maine's Families and Workforce by Amending the Real Estate Transfer Tax*”

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Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, 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 Neither For Nor Against LD 1082, “*An Act to Invest in Maine's Families and Workforce by Amending the Real Estate Transfer Tax.*”

There are several technical issues with this bill.

First, it is unclear *which* of the Maine State Housing Authority’s first-time home-buyer mortgage loan programs would qualify a taxpayer for an exemption under 36 M.R.S. § 4641-C. In addition, The RETT is imposed ½ on the seller and ½ on the buyer. It is unclear from the bill whether the intention is to exempt just the first-time home buyer from the tax, or both the buyer and seller.

Second, it is not clear whether the bill is intended to create a bracketed tax rate, where a single transfer is taxed at multiple rates, or whether a single transfer is taxed at one rate. If one rate is to be applied to an entire transfer, this will create a significant tax cliff between properties sold for near \$1 million and properties sold for just over \$1 million.

Third, the distribution cascade created by the bill may also not work as intended. As drafted, each transfer is a percentage of the amount left after the previous transfer. It would be clearer to have each transfer be a percentage of the total revenue after transferring the amount necessary and sufficient to meet bond obligations under the Maine Energy, Housing and Economic Recovery Program.

Bringing your attention to the fiscal costs, depending on how the tax is structured, it could raise between \$9.0 and \$18.0 million per year. The additional revenue and proposed uses of that revenue would have different impacts across several funds, including the General Fund. An estimate of the administrative costs is not available at this time, but the bill would likely result in additional programming and administrative costs to implement the new multiple rates.

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.