

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

Before the Joint Standing Committee on Taxation
Hearing Date: *April 15, 2025*

*LD 1481 – “An Act to Amend the Law Governing Stabilization of Property Taxes
on Homesteads of Individuals 65 Years of Age or Older”*

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 Against LD 1481, *“An Act to Amend the Law Governing Stabilization of Property Taxes on Homesteads of Individuals 65 Years of Age or Older.”*

The State Property Tax Stabilization Program, enacted into law in 2022 and sunset in 2023, allowed certain senior taxpayers who received the Homestead Exemption and had lived in Maine for more than 10 years to “stabilize” – that is to “freeze” – the property taxes paid on their primary residence from year-to-year at the frozen year amount; and the State reimbursed municipalities for 100% of revenue lost as a result of the program. LD 1481 covers similar ground, simplifying the program in some ways and making it more complex in others.

While LD 1481 attempts to address one of the criticisms of the State Property Tax Stabilization Program by establishing a means test for enrollment in the program, it is not clear how an applicant’s federal adjusted gross income would, or could, be verified by municipal assessors. The addition of a means test would significantly complicate the program.

The Legislature in the 131st Session fully reconsidered the property tax stabilization freeze program and replaced it with a sustainable and administrable State Property Tax Deferral Program and an expanded Property Tax Fairness Credit Program. The reasons for sunseting the prior stabilization freeze program also apply to the stabilization proposal in LD 1481.

There are also Maine and federal constitutional concerns raised by LD 1481. The twenty-year homestead ownership requirement raises potential constitutional concerns regarding durational residency requirements under the United States Constitution Privileges and Immunities Clause. Further, 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.

If the Committee wishes to move forward with this bill, however, there are important aspects that should be clarified and considered.

First, the bill's effective date may result in the bill becoming law after property taxes have been committed for the 2025 tax year. Second, while the bill strikes a requirement in the previous stabilization program that enrolled taxpayers submit a new application each year, the bill would create a substantial administrative burden for municipal officials, requiring the annual review and storage of confidential income information as part of processing of eligibility requests, along with the submission of detailed reimbursement information to the State for a significant number of taxpayers. Finally, the bill requires that municipal assessors determine whether a taxpayer has resided in the municipality for at least 20 years. This may be difficult for taxpayers to document and will create a significant administrative burden on assessors to review and confirm. All of these issues should be addressed.

A fiscal estimate of the costs associated with this bill is not available at this time. However, LD 1481 will result in a significant increase in annual reimbursement costs to municipalities for revenues lost as a result of the program, as well as increased mandate reimbursement costs. An estimate of the administrative costs associated with the bill is also unavailable, but the bill will result in increased administrative costs for MRS to track, process, and review the reimbursement requests from municipalities. The bill may also require additional personnel for implementation in the Unorganized Territory.

For all the above reasons, the Administration opposes this bill.

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.