

**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 1541 – “*An Act to Provide Property Tax Relief for Senior Residents*”

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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 Against LD 1541, “*An Act to Provide Property Tax Relief for Senior Residents.*”

To provide the committee with a background, the Property Tax Stabilization Program was enacted in 2022 and allowed certain eligible taxpayers to "freeze" their property taxes from year to year. That program was sunset in 2023. This bill revives the Stabilization Program, but amends it to provide a complete property tax exemption for eligible taxpayers rather than stabilized tax bills.

I would first like to turn to the technical issues with this bill. Like the original Stabilization Program, LD 1541 does not include language identifying whether improper approval of the exemption can be remediated through supplemental assessment. Furthermore, restructuring existing statutory language of a program that has already been sunset could create significant confusion in the future. It would be cleaner to create a new statutory section to accomplish the goals of the bill. These issues should be clarified. In addition, the definition of “eligible homestead” is circular and should be clarified.

The Administration has legal, statutory, and fiscal concerns with this bill as well. The complete exemption from property tax of such a large group of taxpayers as proposed by LD 1541 may raise constitutional concerns under the equal apportionment provision of the Maine Constitution, Article IX, Section 8. Furthermore, and as was the case with the original Stabilization Program, the requirement that an individual have owned a homestead in Maine for at least 10 consecutive years raises constitutional concerns under the United States Constitution's Privileges and Immunities Clause.

The exemption proposed by LD 1541 is not well-targeted and will have a fiscal cost that will increase exponentially over time. The bill provides a full exemption without any means-testing. The result is that most of the property tax relief will end up being provided to wealthier taxpayers with higher value properties in higher income areas.

There are important administrative concerns with this bill as well. The bill would create a substantial administrative burden for municipal officials, who would be required to (1) determine at application whether an applicant has owned a homestead in the State for at least 10 consecutive years; (2) track, review, and process annual affidavits; and (3) track and submit detailed reimbursement information to the State for a significant number of taxpayers. In addition, limiting the eligible homestead to a portion of the residential property would require assessors to separately track and calculate assessments for different portions of the same property for a large number of taxpayers.

Finally, the bill would create a significant administrative burden for MRS who would need to process a significant increase in reimbursements as well as review the documentation as part of our annual state value audits to confirm municipal eligibility for reimbursement.

A fiscal estimate of the costs associated with LD 1541 is not available at this time, but the bill 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 reimbursements to municipalities for the costs to administer the program. A comprehensive estimate of the administrative costs is also not available, but the bill will result in increased administrative costs for MRS to track, process, and review the reimbursement requests from municipalities, and for MRS to administer the program for taxpayers in the unorganized territory. Additional administrative costs are anticipated to be at least \$270,744 for two additional Revenue Agent positions – one in the unorganized territory and one to assist with the state valuation and reimbursement reviews.

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.