

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

Before the Joint Standing Committee on State and Local Government  
Hearing Date: *April 30, 2025.*

LD 1783 – “*An Act to Clarify Municipal Affordable Housing Tax Increment  
Financing*”

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Senator Baldacci, Representative Salisbury, and members of the Committee on State and Local Government – 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 1783, “*An Act to Clarify Municipal Affordable Housing Tax Increment Financing.*”

As the Committee may know, municipalities use property tax revenues from tax increment financing (“TIF”) districts to fund certain municipal projects, subject to the restrictions under 30-A M.R.S. § 5225. This bill adds certain municipal functions, such as public safety improvements, to the list of authorized project costs for TIF districts.

The Administration has one technical concern with this bill: The bill should clarify the intended interaction of the proposed 30-A M.R.S. § 5250-A(4), which allows TIF revenues in a sinking fund or project cost account to be retained in those accounts for 3 years following the expiration of the district, and the existing §5250-A(3), which states that TIF revenues in excess of those “required to satisfy the obligations of the development sinking fund” must be returned to the general fund annually.

Any fiscal and administrative costs associated with the bill can be absorbed under current budgetary allotments.

In conclusion, the Administration is Neither For Nor Against LD 1783 but, as we've noted with previous bills, there have been a number of bills this session seeking to amend the TIF program and it's not clear what the State's overall policy is around TIFs. Working each of these bills separately rather than comprehensively reviewing TIFs may lead to an inconsistent and muddled statute and inconsistencies in policy. Any analysis of these types of TIF bills should be coordinated with DECD, who largely oversees the TIF program.

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.