

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

Before the Joint Standing Committee on Taxation
Hearing Date: *May 6, 2025*

LD 438 – “*An Act to Allow Municipalities to Limit Nonprofit Property Tax Exemptions*”

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 438, “*An Act to Allow Municipalities to Limit Nonprofit Property Tax Exemptions*.”

As the Committee may know, Maine law allows for exemption from real and personal property tax for organizations that qualify as either benevolent and charitable, literary and scientific, or other specified nonprofit organizations. This bill allows a municipality to limit the property tax exemption provided to benevolent and charitable institutions.

I will begin with the Administration’s technical concerns with the bill. First, it is unclear whether the approval of each exemption requires the vote of the governing body of the municipality, or whether the governing body merely maintains veto power over the approval. Second, this provision may create complications for exemptions in the unorganized territory, where the governing body is the Legislature. Both of these aspects should be clarified.

Turning to our legal and statutory concerns, allowing municipalities to decide whether otherwise qualified taxpayers may claim certain property tax

exemptions creates constitutional concerns, particularly regarding the non-delegation requirements of Article IX, Section 9 of the Maine Constitution. The bill also creates constitutional concerns under Article IX, Section 8 of the Maine Constitution, which requires property tax to be apportioned and assessed equally according to just value. Finally, the language in the bill that allows a municipality to reject an application for exemption because it is deemed “detrimental to the residents of that municipality” is vague and without specified standards.

From an administrative standpoint, no other property tax exemption in Maine allows for a similar municipal option to deny a property tax exemption to a taxpayer that meets all the legal qualifications for that exemption. At minimum, a municipality that exercises the discretion afforded to them by this bill creates the distinct possibility of significant and costly legal challenges.

The fiscal impacts associated with this bill are unclear at this time; though all administrative costs can be absorbed under current budgetary allotments.

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.