

**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: *May 14, 2025*

LD 1931 – “*An Act to Annually Reimburse the Town of Charleston for 43
Percent of Property Tax Revenue Lost Due to the Mountain View
Correctional Facility's Tax-exempt Status*”

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 1931, “*An Act to Annually Reimburse the Town of Charleston for 43 Percent of Property Tax Revenue Lost Due to the Mountain View Correctional Facility's Tax-exempt Status.*”

As the Committee may know, public property, including property owned by the United States, the State of Maine, municipal corporations, and other public entities, is exempt from property tax under 36 M.R.S. § 651. Furthermore, the State is not required to reimburse municipalities for revenues lost as a result of public property exemptions under Art. IX, § 23 of the Maine Constitution because these exemptions were in place prior to 1978.

Regarding this bill’s technical concerns, the Administration notes that the bill provides no timing for the reimbursement nor any language around the Town’s filing of a claim for reimbursement or the State’s audit/review authority. The Administration would suggest, similar to other reimbursements, that the bill be amended to require filing of a reimbursement request on the Municipal Valuation

Return under 36 M.R.S. § 383 with reimbursement made pursuant to 36 M.R.S. § 661, which includes timing and review/audit authority.

Otherwise, there is no other section in Title 36 that requires the State to reimburse a municipality for property tax revenue lost as a result of a specific exempt taxpayer, or an exemption provided under 36 M.R.S. § 651 (property tax exemption for public property). It is thus unclear what exact precedent this bill would establish, but the Administration opposes the creation of any precedent whereby the State would be required to issue reimbursements to municipalities for tax-exempt properties.

An estimate of the administrative costs associated with LD 1931 is not available at this time, though the bill would incur a small programming cost. The annual fiscal cost of this bill would be approximately \$235,000 in additional reimbursement costs provided to the Town of Charleston.

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.