

**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 16, 2025*

LD 1895 – *“An Act to Require the Removal from a Property Tax Lien the Name of
a Previous Owner Who Paid Prorated Property Taxes”*

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 Neither For Nor Against LD 1895, *“An Act to Require the Removal from a Property Tax Lien the Name of a Previous Owner Who Paid Prorated Property Taxes.”*

Before I discuss the bill’s provisions, I will take a moment to provide the Committee with background. In some cases, a seller of real estate will agree to prorate property taxes owed with the purchaser of the property. The property may still be foreclosed if the taxes are not paid in full by both the buyer and seller, regardless of whether one party has paid their pro-rata share.

LD 1895 would require that the seller’s name be removed from any liens once they pay their pro-rata share of the taxes owed.

The Administration has a few technical concerns with the bill. First, the proposed provision may result in a confusing situation where a lien is recorded and a property is subsequently sold with a pro-ration agreement between the parties. If the lien was filed pre-sale, it would be appropriately filed only in the seller’s name. However, if the seller pays their portion, a municipality is left with an outstanding

tax balance on the property that should be protected by a tax lien— but the lien has no name attached to it since the only name associated with the filed lien (the seller) has been discharged. It is unclear what the legal ramifications of this would be; further research on that question is advised.

Secondly, section 943 only deals with property tax liens placed by municipalities for unpaid taxes under Chapter 105. It would not apply to liens placed by the State for unpaid taxes on property in the unorganized territory, which is located instead in Chapter 107. It is unclear whether this is intentional.

Finally, the existing statute, 36 M.R.S. § 558-A, already contains a remedy for circumstances where a buyer and seller have agreed to prorate the taxes, and one fails to pay. It is not clear how this proposal and current § 558-A are intended to interact.

Any fiscal or administrative costs associated with the bill 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.