



Testimony in Opposition to LD 2116:

“An Act to Make Permanent the Affordable Housing Income Tax Credit”

Senator Grohoski, Representative Sayre, and distinguished members of the Joint Standing Committee on Taxation, my name is Montana Towers, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in opposition to LD 2116, “An Act to Make Permanent the Affordable Housing Income Tax Credit.”

LD 2116 seeks to remove the December 31, 2028 expiration date for the affordable housing tax credit, making the program a permanent fixture of Maine’s tax code. While we recognize and share the desire to expand access to affordable housing in our state, this is not the appropriate path forward.

Sunset Provisions Have a Purpose

When the Legislature originally enacted this program, it included a sunset provision, a prudent measure designed to allow for future evaluation and reassessment to determine if the program is having the desired effect. Making this tax credit permanent now would abandon that important oversight mechanism. Before extending or entrenching such a program, there ought to be a full, independent evaluation of its costs, effectiveness, and outcomes. That has not occurred.

Rather than reexamining the program’s merits, LD 2116 attempts to shield it from further scrutiny by eliminating the sunset entirely. That is not sound fiscal policy.

Overregulation is Already the Problem

According to Maine Policy Institute’s 2025 report, *Under Construction: Fixing Maine’s Self-Imposed Housing Crisis*, restrictive local and state housing policies are the primary driver of housing shortages and high costs, not a lack of public funding or tax credits. The report identifies several key contributors to Maine’s housing crunch:

- Zoning and density restrictions, including minimum lot sizes and height limits, that artificially suppress supply
- Inclusionary zoning and rent control, which increase prices and reduce development
- Short-term rental bans, energy mandates, and complex permitting processes that deter builders and investors



By contrast, towns with fewer land-use restrictions experience lower housing costs and greater supply responsiveness. This demonstrates the fundamental failure of top-down government mandates to solve complex, localized problems like housing. Rather than empowering communities and unleashing market-driven solutions, these mandates often backfire, which raises costs and stifles development, often worsening the very crisis they claim to fix.

Better Paths Forward

Maine's tax code should aim to be simple and neutral. Targeted tax credits like this distort the economy by favoring certain sectors and projects over others, directing resources through political channels instead of market forces. Instead of making this tax credit permanent, lawmakers should focus on evidence-based reforms shown to increase supply and reduce housing costs. MPI's *Under Construction* report recommends the following:

- Reforming zoning and density restrictions, particularly minimum lot sizes, height limits, and setback rules
- Streamlining local permitting and allowing third-party inspections to accelerate development
- Avoiding mandates, such as energy efficiency rules, that raise upfront construction costs without near-term benefits
- Encouraging mixed-use development and accessory dwelling units (ADUs) without burdensome conditions

These measures would empower the private market to respond to demand without locking taxpayers into permanent subsidies.

Conclusion

Maine's housing crisis demands structural reform, not new permanent subsidies. Locking in this tax credit without a clear, independent evaluation sets a costly precedent and fails to address the underlying regulatory barriers holding back supply. Instead, the Legislature should prioritize policies that empower private builders, reduce red tape, and let the market meet the needs of Maine people.

For these reasons, Maine Policy Institute strongly urges this committee to vote "Ought Not to Pass" on LD 2116. Thank you for your time and consideration.