

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

Before the Joint Standing Committee on Taxation
Hearing Date: 4/14/21

LD 1337 – *“An Act To Increase Affordable Housing and Reduce Property Taxes through an Impact Fee on Vacant Residences”*

Senator Chipman, Representative Terry, and members of the Taxation Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am providing testimony at the request of the Administration Against LD 1337, *“An Act To Increase Affordable Housing and Reduce Property Taxes through an Impact Fee on Vacant Residences.”*

The bill provides that the residential vacancy impact fee is calculated at the rate of .05% of the equalized just value of the non-exempt residential property. As the bill is currently drafted, the impact fee may have the legal status of a statewide property tax, and as such the bill may raise constitutional issues under Article IX, Section 8 of the Maine Constitution, which requires property taxes to be “apportioned and assessed equally according to the just value thereof.” In addition, the bill may raise issues of reasonable classifications as well as the manner of the imposition of the fee and details of appeal rights. The bureau is currently researching these various potential difficulties.

This bill would create a significant number of administrative difficulties for both Maine Revenue Services and for property owners. I will cover some of the larger, more general, concerns here but there are additional issues.

- Whether having the status of a fee or tax, the proposal creates an entirely new “tax type” for MRS computer programming purposes, requiring a significant investment in set up costs, computer programming, personnel, and a complex system of communication and distribution of data among several State agencies and municipalities. This would require significant staff increases for Maine Revenue Services.
- For property with multiple units, whether the fee applies at all is determined based on the status of the lessees, while whether the property is exempt is based on the status of the owner. Furthermore, for such properties the bill requires owners to determine permanent residence status, which may be unreasonable or impossible for the building owner to make.

We would also like to note that administrative costs to the municipalities would be subject to 90% reimbursement by the State pursuant to Article IX, Section 21 of the Maine Constitution.

On the more technical side, the bill as drafted uses the term “assessor” in multiple contexts where it is unclear whether it refers to the State Tax Assessor or the municipal assessor. In addition, there is a potentially confusing disconnect between the fee year and the year used to determine vacancy.

For the technical and legal concerns that I have mentioned, the Administration opposes this bill as written.

The preliminary administrative cost of the bill cannot be determined without further clarification but is likely to be significant.

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.