

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

Before the Joint Standing Committee on Taxation
Hearing Date: *May 12, 2021*

LD 290 – *“An Act To Stabilize Property Taxes for Individuals 65 Years of Age or Older Who Own a Homestead for at Least 10 Years”*

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 290, *“An Act To Stabilize Property Taxes for Individuals 65 Years of Age or Older Who Own a Homestead for at Least 10 Years.”*

If the Committee has concerns about the property tax burden on senior citizens, the existing Homestead Exemption and Property Tax Fairness Credits are a better approach to target property tax relief to those homeowners in need of property tax relief. This bill creates an administratively complex program for both the state and municipalities that is not well targeted to those truly in need. If it is the desire of the Committee to support this legislation, Maine Revenue Services would like the opportunity to work with the Committee to consider a number of changes in order to improve the long-term administration of the program.

I would like to raise the following administrative and constitutional issues. Durational residency requirements, such as the ten-year “homestead” requirement in this bill, raise constitutional concerns. The bill would also add a significant amount of work for municipal assessors, requiring annual processing of applications and submitting detailed reimbursement information to the State for a

significant number of taxpayers. Under the Maine Constitution article IX, section 21, the State is required to reimburse the municipalities for 90% of the costs associated with the municipalities' administration of this new program.

The bill also requires State reimbursement to municipalities for the revenue loss associated with the stabilization of taxes. While a preliminary fiscal estimate is not available at this time, it could be significant. The preliminary administrative cost of the bill is estimated to be \$90,000 - \$110,000.

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.