

**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: March 16, 2023

*LD 37 - An Act to Amend the Laws Governing Property Tax Stabilization for
Senior Citizens to Eliminate the Requirement for an Annual Application*

*LD 529 - An Act to Remove the Annual Filing Requirement in the Property Tax
Stabilization Laws*

Senator Grohoski, Representative Perry, 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 providing testimony at the request of the Administration Neither For Nor Against *LD 37 - An Act to Amend the Laws Governing Property Tax Stabilization for Senior Citizens to Eliminate the Requirement for an Annual Application* and *LD 529 - An Act to Remove the Annual Filing Requirement in the Property Tax Stabilization Laws*. I am providing combined testimony because both bills have similar goals—to remove the annual filing requirement for participants in the Property Tax Stabilization Program.

LDs 37 and 529 are two of the many bills submitted this year addressing issues facing the State, municipalities, and property taxpayers under the Property Tax Stabilization Program. The issues likely to be raised by the various bills – balancing the program’s benefits and substantial costs, possible technical changes to clarify program implementation, possible substantive changes to address program complexity, possible changes to align the program purpose with other existing property tax relief programs – deserve serious consideration. With

respect to LDs 37 and 529, if the Legislature decides to fine tune the program while keeping its overall design intact, then removing the annual filing requirement is a step toward addressing the administrative burden the Program places on taxpayers, municipalities, and Maine Revenue Services. On the other hand, if the Legislature decides to redesign the program more significantly, then the necessity of these two bills is unclear.

Turning to the specific provisions of the two bills, there are several technical concerns we would like to raise for the Committee. First, the language of both bills creates inconsistencies with other sections of the Stabilization Law, notably 36 M.R.S. § 6281(3), which only allows stabilization for a single year (the year of application). With the removal of the annual application, that subsection should be amended to allow for ongoing stabilization.

In removing the annual filing requirement, both bills also make the statute unclear as to whether a participant needs to maintain their eligibility to continue to participate. For example, whether a participant needs to maintain permanent residency or be eligible for the homestead exemption beyond the year they apply. Ongoing eligibility should be clarified.

If the intent is to require ongoing eligibility, provisions should be added to both require participants to notify municipalities of changes in eligibility and to give municipalities authority to review eligibility and remove in subsequent years if necessary.

The Administration looks forward to working with the Committee on both bills, and the important issues raised by the Property Tax Stabilization Program in general; representatives from MRS will be here for the Work Session to provide

additional information and respond in detail to the Committee's questions. I would be happy to respond to any questions you may have now.