

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

Before the Joint Standing Committee on Taxation
Hearing Date: March 16, 2023

*LD 130 - An Act to Eliminate Senior Citizen Property Tax Stabilization and
Expand the Homestead Property Tax Exemption*

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 testifying at the request of the Administration Neither For Nor Against *LD 130 - An Act to Eliminate Senior Citizen Property Tax Stabilization and Expand the Homestead Property Tax Exemption*.

LD 130 is one of the many bills submitted this year addressing issues facing the State, municipalities, and property taxpayers under the Property Tax Stabilization Program. If the Legislature decides to significantly redesign the program, then LD 130 provides a reasonable model for doing so. By repealing the Stabilization Program and expanding the existing Homestead Exemption, LD 130 continues to provide relief to senior taxpayers burdened by high property tax bills, while at the same time it addresses concerns with the Stabilization Program that have been raised throughout the State.

For the Committee’s consideration, an alternative approach that similarly utilizes another long-standing relief program would be to replace the Stabilization Program with an increased Property Tax Fairness Credit (or “PTFC”). By utilizing the PTFC, relief could be targeted to those low-income seniors who are struggling to afford their property tax payments. In addition, the PTFC would provide relief to

renters, who are also burdened by high property taxes assessed on their apartments, and who are among the most housing insecure seniors.

Turning to the specifics of the bill, there are several technical and other concerns we would like to raise for the Committee. First, the existing exemption statutory subsections contain additional language on situations such as foreclosures, repurchases of property, and multiple owners, that are not covered in the new paragraph. Those items should either be mentioned in the new subsection or split out into a new subsection covering all of section 683.

The bill does not address homesteads with more than one owner, specifically when some of the owners are under 65. It is also unclear whether the language requiring the applicant to have “resided in the homestead” means it was a residence of the applicant or the applicant’s permanent residence. These should be clarified.

As is the case with the Property Tax Stabilization Program, the ten-year residency requirement also raises constitutional concerns.

Finally, I would point out to the Committee for consideration that the bill does not cover all the taxpayers that benefit from the existing Stabilization Program.

Specifically, taxpayers who have owned a homestead in Maine for at least ten years but have not lived in their current homestead for the previous ten years will not benefit from the additional homestead exemption proposed in this bill.

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. I would be happy to respond to any questions you may have now.