

**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: 4/5/23

*LD 1258– An Act to Increase the Personal Property Tax Exemption for Farm
Machinery*

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 Against LD 1258, *An Act to Increase the Personal Property Tax Exemption for Farm Machinery*.

This proposal adds complexity to an already complex set of property tax relief programs without a clear need for the additional complexity. Most business-owned farming equipment covered by this bill is already eligible for either the Business Equipment Tax Reimbursement program or the Business Equipment Tax Exemption program, depending on the age of the equipment.

From an administrative perspective, adding an annual filing requirement will create additional work for taxpayers and for municipalities, as well as for Maine Revenue Services to review and audit applications. Creating a new, separate reimbursement formula for the exemption, where a portion is not reimbursed and a portion is reimbursed at a different rate from the other exemptions, adds additional complexity to the administration of the program. In addition, it's unclear whether municipalities with BETE equipment would face an actual "loss in property tax revenue" or how that loss should be calculated. Finally, the requirement for

municipalities to process annual applications will trigger the constitutionally mandated 90% reimbursement of those costs to municipalities.

From a technical perspective, the audit authority contained within this bill is unnecessary because Title 36, section 661 already provides MRS with audit authority for reimbursable exemptions.

If there is a need for changes, consideration should be given to making those changes within the Business Equipment Tax Exemption program.

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.