

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

Before the Joint Standing Committee on Taxation
Hearing Date: 4/12/23

*LD 1345 – An Act to Permit Municipalities to Establish by Ordinance a Program
for Partial Deferral of Property Taxes for Seniors*

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 1345 – An Act to Permit Municipalities to Establish by Ordinance a Program for Partial Deferral of Property Taxes for Seniors*.

This bill competes with, and in some ways duplicates, the existing optional municipal property tax deferral program (36 M.R.S. chapter 908-A), State property tax deferral program (36 M.R.S. chapter 908), State property tax stabilization program (36 M.R.S. chapter 908-B), and property tax fairness credit (36 M.R.S. §5219-KK). The existence of several similar but competing state and municipal programs that are intended to accomplish the same goal will be administratively complex and will create confusion with taxpayers and municipal officials. Any issues with the existing programs should be addressed directly, instead of layering on another complicated property tax relief program for seniors.

The Administration would also like to note the following technical concerns:

- The bill denies participation in a municipal program if a taxpayer has been determined eligible for the state deferral program. If the intent is to only

disqualify someone who is actually participating in the deferral program, that should be clarified.

- As noted, the language of the bill denies participation in the new program to those participating in any property tax deferral program, but then references section 908-B, which is the stabilization program and not a deferral program.
- Allowing municipalities to restrict eligibility to residents who have lived in that municipality for multiple years may present a constitutional issue.
- Looking at the language of the bill, the last paragraph in section 3 should refer to the lists in sections 4 and 5, and the liens in section 6. In addition, the 2nd and 3rd paragraphs of subsection 4 are inconsistent and confusing. The 2nd paragraph states that the municipality must record a list with the registry identifying participants and including their name, address, and deferred tax amounts. The 3rd paragraph then states that the municipality can only release public information on the program in statistical summary as long as it doesn't include individually identifiable information.
- Finally, the application for the program and related hearings are treated as confidential, presumably because of information related to household income. Adding the layer of confidentiality will create additional administrative burdens for municipal officials in a tax system that is generally public.

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.