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Senator Eric Brakey

**Presenting L.D. 1873, “An Act to Provide Heating Relief with
Tax-free Home Energy Savings Accounts”**

Before the Joint Standing Committee on Taxation

Thursday, May 18, 2023

Senator Grohoski, Representative Perry, and members of the Committee on Taxation: I am Senator Eric Brakey and I have the honor of representing the people of Auburn, New Gloucester, Poland, and Durham. Thank you for your presence today as I present L.D. 1873, “An Act to Provide Heating Relief with Tax-free Home Energy Savings Accounts.”

It’s no surprise that winter comes to Maine every year. Rather than reacting from crisis to crisis with only short-term relief, as was done at the outset of the 131st Legislature with the passage of L.D. 3, I believe we should help Maine families prepare for future winters by empowering them to save their own money tax-free for energy needs.

Through the creation of Home Energy Savings Accounts (HSEA), that is exactly what this legislation, L.D. 1873, aims to achieve.

A Home Energy Savings Account (HSEA) would be similar to a federal Health Savings Account (HSA), which allows individuals to set aside pre-taxed money for medical expenses. The difference is that under this program, individuals could open an account (at a participating bank or credit union) to set funds aside for weatherization, fuel and electricity expenses for residences within the state.

Individuals could deposit up to \$2,500 annually (and married couples filing jointly could deposit up to \$5,000 annually), which would be exempt from the state income tax, into their HSEA. If funds are withdrawn for purposes outside those authorized, they would be treated as taxable income. Much like HSAs, account balances could rollover from year to year without penalty.

To spare you from doing the math (even though I know the members of this committee enjoy math), the maximum annual tax savings would range from \$145.00 to \$178.75 for an individual (or \$290.00 to \$357.50 for a couple), depending on their tax bracket.

Recognizing the ever-increasing electricity and fuel rates, and the fact that Maine’s harsh winters require frequent home weatherization measures, this is a common-sense solution that will empower Maine people to plan and save for the long-term.

Our first resort in helping Maine people should not be taking their money and sending it back to them, but empowering them to use their own resources to address their own needs.

In the drafting of this bill, the Revisor's Office suggested FAME as the appropriate agency to administer this program. I understand they will be here today to suggest that they are not the proper agency for that. I believe this is a small detail of the proposal, and I am happy with any appropriate changes regarding administration.

Thank you for your time and consideration. I will gladly take any questions you have.