

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

Before the Joint Standing Committee on Taxation
Hearing Date: 2/7/2024

LD # 2144 – *“An Act to Provide Property Tax Relief by Increasing the Availability of the Property Tax Fairness Credit”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Peter Lacy, Staff Attorney for the Office of Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 2144, *“An Act to Provide Property Tax Relief by Increasing the Availability of the Property Tax Fairness Credit.”*

The Property Tax Fairness Credit (PTFC) is a refundable credit designed to address the burden of property taxes on low- and middle-income households. The credit has an income limitation based on federal gross income (FAGI), with some additions. These additions exist because FAGI does not always accurately reflect a taxpayer’s ability to pay due to the existence of tax-exempt income. Without these additions, taxpayers with the same ability to pay could receive different credit amounts based on the type of income they receive. For instance, a retiree receiving non-taxable social security income could receive a greater credit than a retired teacher receiving federally taxable Maine pension income.

LD 2144’s bill summary states that it amends the property tax fairness credit to increase the amount of the credit available to certain residents by excluding from the definition of "income," which is used in determining the amount of the tax credit, payments received under the federal Social Security Act and railroad

retirement benefits if those payments or benefits are included in federal adjusted gross income.

This change would cause similarly situated taxpayers to receive disparate credit amounts based on the type of income they receive instead of the amount of income they receive.

This Administration has supported expansions of the PTFC in every legislative session since coming into office, including significantly raising the PTFC for people over 65 in the last session. Additional time should be allowed to determine the current cost of these changes and their effectiveness in providing property tax relief to low- and middle-income households.

Turning to technical issues, the Administration notes that the bill language does not accomplish what the bill summary describes. Additionally, the definition of income for the PTFC is identical to the definition of income for purposes of the sales tax fairness credit. Changing the definition for one credit and not the other would result in additional administrative costs for forms and programming changes and increase taxpayer confusion.

The preliminary revenue estimate of excluding nontaxable social security income or all social security income, depending on the bill intent, from the PTFC calculation is a revenue reduction of approximately \$50 million or \$80 million, respectively.

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.