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Testimony of Rep. Dan Ankeles

Before the Joint Standing Committee on Taxation

Presenting LD 2162, An Act Regarding the Homestead Property Tax Exemption and the Property Value Reassessment Process

Senator Grohoski, Representative Perry and honorable members of the Taxation Committee, thank you for the opportunity to testify today. I am Representative Dan Ankeles, and I serve House District 100, a central slice of Brunswick that includes our downtown, Bowdoin College, Mere Point, Maquoit Bay, the Mere Brook Watershed and the former Brunswick Naval Air Station. It's an honor to present **LD 2162, An Act Regarding the Homestead Property Tax Exemption and the Property Value Reassessment Process**.

It is a complicated bill with a complicated backstory, so I thank you in advance for sticking with me for a few moments. I also want to thank the Maine Coast Fisherman's Association for all its incredible work on the second part of this legislation.

LD 2162 has two separate components: one that changes our working waterfront tax law and a second that strengthens the Homestead Exemption for homes assessed at under \$100,000. Before we start with the details and the history, I need you to know that I am viewing this two-part piece of legislation through the dual lenses of protecting Maine's working waterfront - a core heritage industry - and the prevention of homelessness.

The story of this bill started in Brunswick, but it quickly became clear that communities throughout Maine had either shared our town's experience or were on the brink of doing so. Either way, you're likely to be quite familiar with this experience.

Years ago, Brunswick officials decided they wanted to do more frequent reassessments in an effort to prevent the kind of tax spikes that can happen when you go too long without doing full revaluations. On its face, the concept made sense.

But, when it finally came time to do our first significant reassessment last year, the residential real estate market had exploded, and the home sales data our assessor had to work with wasn't pretty. We ended up looking down the barrel of a devastating shift of the tax burden from commercial property onto residential property. The entire town was up in arms when they got their letters with the new home values. Throughout the summer and fall, we had hearing after hearing and then a series of public forums.

We ended up having to postpone the entire reassessment, knowing that the assessor might have an even worse set of home sales data to work with next time.

Once we all understood that Brunswick now had a ticking property tax time bomb over its head, our delegation joined together and put in this bill title, which was originally far more ambitious than what you have before you now. The news coverage of Brunswick's experience attracted attention from all over the state, and it resonated because other communities couldn't figure out what to do either.

I told the Legislative Council that we simply could not wait to start this conversation, and I'm so grateful they took this issue seriously.

During the course of Brunswick's experience, it came out that rising home values were especially dangerous for people who own manufactured housing - also known as a mobile home. Under previous market conditions, all the property tax exemptions Maine had in place were enough to ensure mobile home owners did not have a significant property tax burden, which is important. We have several mobile home parks in my community, and the people who live there are exactly the families you should have in your mind when you hear how so many Americans are unable to withstand an unexpected expense of \$400 or more in a given year. They don't deserve to be swept out of their homes because high earners from all over the country on the other end of the real estate market are buying up homes with cash and going well over asking price - a trend that won't stop as more people realize the kind of life Maine can offer at a time when the country and planet are going through a lot.

And so the first half of the bill is simple. If your home is worth less than \$100,000, you would get an additional \$15,000 of value exempted, over and above what you'd already get from the Homestead Exemption. This will protect people who own mobile homes from being swamped by valuation-related tax increase and increase the chance they don't lose their home. As drafted, the bill reimburses municipalities for this new exempt value at 100%, keeping them whole. Does that cost us money at the state level? Yes. Is it an ounce of prevention, the value of which can't be measured by a fiscal note? Also yes.

The other thing that came out of our local meetings was that one of our fishing families in town was on the verge of getting swamped because of how much the high-end homes that surrounded them had increased in value. And that is how I initially connected with the Maine Coast Fisherman's Association to begin work on the second half of this bill.

This part of the bill designed mostly for people who use their own properties to make a living off the working waterfront. Many of these people around the state now find themselves living near some of the homes with the highest increases in value, and that places them in a potentially unsustainable situation where their longtime home becomes unaffordable. It's been happening for years, but my sense is that recent market conditions have made things much worse.

Maine does of course have a special Working Waterfront current use tax law, but that law needs to be stronger to match today's real estate market conditions. And we know the program is not strong enough because it's underutilized.

There are already lots of stressors on our fisherman, from environmental changes to a decline in catches and harvests, bait shortages, onerous federal regulations, unfair trade practices and of course storm and flood damage.

But one factor we don't talk about a lot, especially in the context of tax policy, is how fishermen's access to coastal resources is quite limited. In recent years, Maine's fishermen and harvesters have been fighting this policy battle anywhere they can. And now with the threat of these valuation-related property tax spikes, LD 2162 is a way to use tax policy to protect Maine fishermen's remaining access to the water.

I'm going to ask that you save most of the technical questions around changes to the Working Waterfront current use laws for Jessica Joyce, members of the Maine Coast Fisherman's Association and others who can walk through each change.

Additionally, since submitting the bill, I've had a couple people point out potential problems with Section 10. I'd prefer to keep it if possible, but I wanted to be intellectually honest that there was some anxiety around it.

Again, the original version of this bill was even more ambitious and attempted to help all working class and fixed income homeowners facing tax spikes from reassessments. But no matter how creative I got, there was simply no way around the Just Value clause of Maine's Constitution, which, the Law Court has ruled, means a certain deference to market conditions. I had one meeting with Julie Jones, and I kept asking, "Are you sure? But are you really super-duper sure?" We can't arbitrarily alter values for tax purposes. And, with just a few exceptions like the working waterfront or like tree growth, you can't value commercial, residential and coastal property by different standards.

So my ask for this year is to pass some version of this bill so we can reduce the immediate harm to both fisherman and to mobile home owners. But my ask for next year is for this and the 132nd Legislature to acknowledge a few things: First, that Maine's current property tax system is no longer cut out to support what it costs to run a municipality or a school system. Second, that it is wildly unrealistic to tell towns to just tighten their belts. And thirdly, that doing nothing at the state level will accelerate gentrification and drive working and middle class families and older Mainers on fixed incomes from the communities they love and - in some cases - have spent their whole lives in.

I am happy to attempt to answer questions or seek out answers in advance of the work session. Please also take advantage of those testifying behind me. They have a lot of knowledge but only a three-minute time limit, and they are eager to help clarify anything you might be curious about.

Also, be on the lookout for a friendly amendment about restoring the report back requirement for the Working Waterfront Current Use Program that was eliminated within the last 15 years. We need to be able to better track our progress when it comes to supporting our fisherman and protecting their coastal access.

Thank you for getting through this lengthy testimony with me and for the opportunity to address you today.