

**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: *March 5, 2025*

LD 565 – *“An Act to Amend the Definition of "Homestead" Under the Homestead
Property Tax Exemption Laws”*

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good morning, 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 565, *“An Act to Amend the Definition of "Homestead" Under the Homestead Property Tax Exemption Laws.”*

From a policy perspective, allowing property held in an irrevocable trust to be considered “owned” by an individual creates inconsistencies between the different tax structures because it goes against long-established principles in income and estate tax law that ownership of real estate by an irrevocable trust for the benefit of an individual is distinct from and does not constitute direct ownership of the real estate by that individual.

On the technical side, expanding eligibility under the homestead property tax exemption to irrevocable trusts creates inconsistency with the ownership eligibility requirements of other taxpayer benefit programs related to property tax, which make an exception only for revocable trusts. These include the veterans’ property tax exemption, the blind persons’ property tax exemption, and the Property Tax Fairness Credit.

The fiscal impact estimate for this bill is a cost of approximately \$250,000 per year, from the increase in reimbursement to municipalities for the resulting loss in property tax revenue.

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.