

**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 715 – *“An Act to Provide Property Tax Relief by Increasing the Availability of the Property Tax Fairness Credit Based on a Resident's Age and Income”*

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Senator Grohoski, Representative Cloutier, 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 Neither For Nor Against LD #715, *“An Act to Provide Property Tax Relief by Increasing the Availability of the Property Tax Fairness Credit Based on a Resident's Age and Income.”*

This bill is nearly identical to LD 2144, as amended, presented during the 131<sup>st</sup> Legislature which Died Upon Conclusion of the 131<sup>st</sup> Legislative session.

For tax years beginning on or after January 1, 2026, this bill proposes to expand the Maine property tax fairness credit (“PTFC”) for otherwise eligible individuals who are 65 years of age or older whose annual income is \$36,000 or less to the extent the benefit base exceeds 3% (down from 4%) of the resident individual's annual income thereby increasing the credit by up to \$360. For married taxpayers filing jointly, only one spouse must meet the age requirement to qualify. The minimum annual income amount is subject to an annual inflation adjustment.

Currently, all qualified taxpayers, including those 65 years of age or older with an annual income at or below \$36,000, claiming the PTFC can claim a credit equal to the amount by which the benefit base for the resident individual exceeds 4% of

the resident individual's annual income. Subject to a limit of \$1,000 for taxpayers under 65 and \$2,000 for those 65 and older. The \$2,000 limit for taxpayers 65 and older was recently enacted and applies to tax years 2024 and later. The filing for tax year 2024 is currently underway and as such the State has not yet seen the full result of this recent expansion.

Additional property tax relief provided through the PTFC may be the way to address the property tax burden many residents face, but the added complexity caused by creating new credit criteria instead of adjusting parameters within the existing credit framework may not be worth the benefit. This further complication of an already complex credit would burden both taxpayers and the State.

Finally, the bill would create a “cliff” at \$36,000 where an additional dollar of income would cause a discrete drop in the credit of up to \$360. This type of design can be harmful for taxpayers because it can result in an increase in income, for instance, due to working additional hours, causing an after-tax decrease in income.

The estimated fiscal impact of this bill is an annual revenue loss of approximately \$3.5 million.

Estimated administrative costs are under consideration. The bill will require one-time computer programming and related systems testing costs to add two new lines to Form 1040ME, Schedule PTFC to accommodate the additional credit calculation. Due to spacing limitations, the current Schedule PTFC/STFC will need to be separated into two schedules; one to calculate the PTFC; the second to compute the STFC resulting in additional ongoing printing costs.

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.