

**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 19, 2025*

LD 7 – *“An Act to Increase the Homestead Property Tax Exemption for Residents  
65 Years of Age or Older”*

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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 7, *“An Act to Increase the Homestead Property Tax Exemption for Residents 65 Years of Age or Older.”*

A similar bill was introduced in the 131<sup>st</sup> Legislature as a response to the now repealed Property Tax Stabilization Program. At that time, the Administration and Legislature agreed that targeting property tax relief to 65+ homeowners was best accomplished by expanding the Property Tax Fairness Credit (“PTFC”) as a substitute for the stabilization program. Taxpayers have begun receiving the benefits of the expanded PTFC as they file their 2024 income tax returns over the coming months.

The PTFC offers two important advantages over the homestead exemption. First, it provides more targeted relief to those burdened by property tax, thereby allowing limited State dollars to have a greater impact. Second, it provides relief to low-income renters who also, if indirectly, bear the burden of property taxes and who struggle in the current housing market. Not only does the homestead exemption not provide relief to renters, but it can shift the property tax burden onto apartment buildings and their residents.

The bill includes a ten-year residency requirement for eligibility. These type of durational residency requirements have raised constitutional concerns with similar programs in the past. This proposal will also likely trigger the 90% State reimbursement requirement under the Maine Constitution, article IX, section 21 for municipal administrative costs since it would require many eligible residents to apply or reapply for this amended benefit.

Turning now to technical concerns with the proposal, the bill does not address homesteads with more than one owner, specifically if not all owners are over 65. In addition, an effective date of April 1, 2025, could result in the bill becoming law after property taxes have been committed in many towns. The effective date should be revised to April 1, 2026, or later to avoid this confusion.

The preliminary fiscal estimate is in an additional \$50+ million annual State reimbursement to municipalities when fully phased-in.

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.