

**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 140 – “An Act to Incrementally Increase the Homestead Property Tax
Exemption”*

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 140, “*An Act to Incrementally Increase the Homestead Property Tax Exemption.*”

LD 140 would provide broad property tax relief to resident homeowners, regardless of their ability to pay the tax, at a very high cost, when more focused tax relief could be provided at a much lower cost using the Property Tax Fairness Credit (“PTFC”) or other programs. In addition, it would shift the property tax burden to other taxpayers, resulting in an increase in property tax mil rates over time.

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.

Further, the State reimburses municipalities for 76% of the tax lost as a result of the homestead exemption under 36 M.R.S. § 685 resulting in a revenue loss of approximately \$28 million in FY 2027, \$66 million in FY 2028, \$105 million in FY 2029, and rising to a fully phased-in increase of \$280 million in FY 2034.

The Administration additionally has other technical and administrative concerns with the bill that we will address with the committee further during the upcoming work session.

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.