

**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 934 – *“An Act to Provide 100 Percent of the Maine Resident Homestead  
Property Tax Exemption Amount to Seniors and Veterans”*

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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 934, *“An Act to Provide 100 Percent of the Maine Resident Homestead Property Tax Exemption Amount to Seniors and Veterans.”*

To provide some context, all municipalities in Maine assess properties within their jurisdictions at some percentage of their full market value, which differs from municipality to municipality. This percentage is called the certified ratio. Property tax exemptions, including the Homestead Exemption, are adjusted by the certified ratio of the municipality where a property is located so that the effective exemption amount reflects the just value (i.e., market value) of the exemption provided under law. This adjustment ensures that each property entitled to an exemption in Maine is receiving the same effective exemption regardless of the municipality’s respective certified ratio.

Under this bill, the Homestead Exemption amount would not be adjusted by the certified ratio, but only for seniors and veterans, creating disparity in the treatment between recipients of the Homestead Exemption within the same municipality. The bill will also create inequities between municipalities, with

taxpayers who reside in municipalities with low certified ratios receiving a higher effective exemption than taxpayers who reside in municipalities with higher certified ratios. In addition, taxpayers who reside in municipalities with certified ratios over 100% will end up receiving a lower effective exemption than they would under current law. If additional relief for veterans and seniors is the goal, increasing the *amount* of the Homestead Exemption for those groups is much simpler and less administratively complicated than incorporating the certified ratio into the formula. I'll note also that removing the certified ratio adjustment may raise concerns related to the Maine Constitution's requirement that all property be assessed and apportioned equally according to "just value."

I want to raise a few technical concerns about the bill. First, proposed paragraph B (lines 15-17) cites to 36 M.R.S. § 685(3) as providing the certified ratio that is used to adjust the Homestead Exemption. This should refer instead to the certified ratio reported to MRS under 36 M.R.S. § 383, which is the ratio on which the exemption amount is based under 36 M.R.S. § 683(1). Furthermore, the bill creates additional definitions under proposed paragraph A (lines 9-14) that, to some extent, overlap with existing definitions in 36 M.R.S. § 681. Moving those definitions to section 681 is recommended to maintain consistency and clarity.

The bill also includes, but does not specifically define, who is considered a "veteran of the Armed Forces of the United States." As currently structured, it appears that anyone who served would qualify. This creates an inconsistency with the existing veterans' exemption, which excludes, for instance, those who were dishonorably discharged. This inconsistency should be clarified.

A fiscal estimate is not available at this time. However, the bill as drafted creates an additional layer of administrative complexity and burden for municipal assessors who would now have to determine and administer multiple exemption

amounts. This means that the bill will likely require the State to reimburse municipalities for 90% of their administrative costs under Me. Const. Art. IX, § 21, since many residents who currently receive an exemption will need to reapply for the amended benefit. While an estimate is not available, there will similarly be administrative costs for the State to track, audit, and reimburse the modified exemption. Finally, the increase in the amount of the Homestead Exemption for the groups covered by the bill will result in an increase in State reimbursement costs to municipalities for the revenue lost by the expanded exemption.

In conclusion, the Administration opposes this bill because it adds unnecessary confusion and complexity to the Homestead Exemption program. As mentioned, if additional relief for veterans and seniors is the goal, increasing the *amount* of the Homestead Exemption for those groups is much simpler and less administratively complicated for both taxpayers and municipalities.

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.