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Testimony of the Maine Municipal Association (MMA)

In Support of

*LD 1112, RESOLUTION, Proposing an Amendment to the Constitution of Maine
Requiring Not Less Than 90 Percent State Reimbursement for Residential Real Estate
Property Tax Exemptions and to Establish a Minimum Homestead Exemption*

April 2, 2025

Senator Grohoski, Representative Cloutier and distinguished members of the Joint Standing Committee on Taxation, my name is Amanda Campbell, and I am submitting testimony in strong support of LD 1112 on behalf of the Maine Municipal Association's 70-member Legislative Policy Committee (LPC).

LD 1112 was drafted after municipal officials prioritized property tax relief measures as the basis for the LPC's legislative platform. The committee thanks Representative Matlack for her sponsorship of this bill.

As this committee has heard, overwhelmingly, this session, property taxes are on everyone's mind. MMA has provided testimony on virtually every bill that could impact the property taxpayers, in either positive or negative ways. This bill is one of many property tax proposals still on the docket. In the association's view, LD 1112 supports both municipalities and property taxpayers.

This bill accomplishes three important tasks.

First, the bill increases the municipal reimbursement for lost tax revenue resulting from the homestead, veteran or blind exemption to 90%. Currently, veteran exemption reimbursement levels vary, the blind exemption is reimbursed at only 50% and the homestead exemption is reimbursed at 76%. Beginning on April 1, 2022, PL. 2021, Ch. 398 amended 36 MRSA §685, sub-§2 to increase the homestead reimbursement from 70% to 73% and to incrementally increase that rate by an additional 3% annually, beginning April 1, 2023, until the rate reached 100%. However, in 2023, PL.2023, Ch. 412, struck this ramped increase to offset the costs of the since repealed Property Tax Stabilization Program for Seniors,

commonly known as LD 290. This bill would ensure that all exemptions for residential real estate would be protected at a reimbursement of 90%.

Second, this bill increases the value of the homestead exemption from \$25,000 to \$50,000. The committee has heard several proposals to increase the value of the exemption. While this may not be the final figure, the LPC agrees that any increase at this time would be of value to property taxpayers.

Third, LD 1112 ensures Constitutional protection that no less than 5% of sales and income tax be disbursed to Maine's municipalities through the State Municipal Revenue Sharing program. Historically, during times of state fiscal hardship, revenue sharing funds have been the first source for reallocation. During times of assessment and property tax fluctuations, that revenue stream is more essential than ever. By protecting those funds under the Maine Constitution, the interests of Maine property taxpayers are also protected. Between 2006 and 2022, Maine legislators approved the transfers of a staggering \$859,908,116 out of the revenue sharing program to fund other state initiatives. Only in 2023 were municipalities offered the full 5% of sales and income tax revenue to assist in the provision of state mandated services provided at the local level. Enshrining the revenue sharing program in the constitution can prevent this type of transfer from ever happening again and provide municipal officials assurances that those funds will be available for local budgeting and tax commitment purposes.

This committee has many options available this session to address property taxes and how those taxes are impacting Maine people. This bill provides an option to protect vital programs that work and would ensure that they can continue working well into the future.

With these positive and flexible changes in mind, the LPC strongly encourages the committee to vote Ought to Pass on LD 1112. Please feel free to contact any member of the LPC or the MMA Advocacy team with any questions relating to municipal operations.