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**TESTIMONY OF SPEAKER RYAN D. FECTEAU REGARDING LD 1082, AN ACT TO INVEST  
IN MAINE'S FAMILIES AND WORKFORCE BY AMENDING THE REAL ESTATE  
TRANSFER TAX**

Good morning Senator Grohoski, Representative Cloutier, and esteemed members of the committee on Taxation. I am House Speaker Ryan Fecteau, and I have the privilege of representing House District 132, which is my hometown of Biddeford.

I am pleased to be here today to present LD 1082, *An Act to Invest in Maine's Families and Workforce by Amending the Real Estate Transfer Tax*.

It is no secret that Maine is in desperate need of more housing and especially affordable housing. We live in a state where \$12 million dollar homes are selling in 90 minutes, while many hardworking first-time home buyers struggle to afford the American Dream.

Before the pandemic, housing production in Maine was far below what we needed to meet demand. We were building an average of 250 units of affordable housing each year—well below the 1,000 units needed annually to keep pace with demand. The result was rising rents for tenants, and rising prices for buyers.

During the pandemic, Maine received an infusion of federal dollars that allowed us to make transformational investments in housing. We actually started to eclipse the 1,000 new units threshold. Now, as those federal dollars phase out, we need to find a way to maintain our momentum so that housing production does not fall back to a rate that will fail to meet our state's housing needs.

In addition, housing prices are rising - they have gone up 50% since 2020. Maine's Economic Forecasting Commission reported earlier this week that in the fourth quarter of 2024, Maine's year-over-year growth in the house price index was 6.9%, 9th highest in the nation, and fifth in New England.

Last summer, with the housing crunch still top of mind for most Mainers, I was approached by a realtor in my community who wondered how we can ensure that Maine is a state where people who work hard and are chasing the American dream of home ownership are able to realize their dreams.

As I discussed the issue with the realtor, we started to discuss modest adjustments to the real estate transfer tax, which has been untouched for more than two decades. It was clear that this could be a way to unlock a sustainable funding source for the creation of new multifamily and single-family housing. It is a targeted solution which will change the amount of transfer tax collected on real estate sales, **only** for the portion of a sale in excess of \$1M.

This bill also proposes to eliminate the RETT for home sales involving first-time homebuyers who are qualified through MaineHousing. If approved, it would be the biggest tax relief for first-time homebuyers in the history of our state. The elimination of the tax would also apply to the portion typically paid for by the seller. Providing relief to first-time homebuyers and making their bids more competitive.

Last year, there were 925 loans through MaineHousing, with an average borrower age of 34 years old. The average household income of those buyers was just over \$80,000, and the average loan size was around \$251,000. These are the folks who can most benefit from help to achieve the dream of home ownership.

And what would be done with the money generated by this modest increase in the transfer tax? The funds would be put back to work to help create more housing in Maine.

RETT funds are currently disbursed among several buckets to support housing-related programs serving Maine people across the state, including sending a portion to county governments for processing deeds. Other uses include debt service for housing production bonds, Housing First developments to combat chronic homelessness, and the HOME Fund - which is used for homeless shelter operations, lead abatement, home modifications for persons with disabilities and seniors, rental assistance and many more housing-related functions. The remainder, which has been minimal, goes to the General Fund.

The spirit of this bill is to preserve that existing funding, and use any additional revenue created to capitalize a new housing production fund.

This Housing Production Fund will become a sustainable source of capital to support new housing starts through three existing programs: the Affordable Housing Tax Credit, the Rural Affordable Rental Housing Program, and the Affordable Homeownership Program.

I want to be very clear that the funds generated through the increase in the real estate transfer tax that go into the new housing production fund - as well as the funds in the current HOME Fund - will remain dedicated to addressing housing issues.

Maine is not alone in such efforts. Our neighbors in New Hampshire have also been wrestling with this issue. A Republican senator there has introduced a bill that will dedicate more of the RETT to an affordable housing fund.

Federal funding was certainly helpful over the past few years in accelerating the pace of housing development. But it could not make up for the under-building of the pre-pandemic era. The demand is still sky-high and L.D. 1082 is a way to achieve continued progress by making sure the RETT reflects Maine’s increasingly lux real estate market. According to Realtor.com, there are currently 545 listings over \$1,000,000 today and 25 of them are over \$5,000,000, including a \$16.25M home on Mt. Desert and a \$11.9M home in Kennebunkport. By way of comparison, a \$1.5M sale under current law would result in a RETT of \$6,600 (split 50/50 by the buyer and seller). **Under this proposal, the RETT would be \$9,399 for that same \$1.5M sale.** In other words, the buyer and seller would pay \$1,399 more than they would under current law. This is an infinitely small difference for such a significant transaction.

**Current Law Estimated RETT By Sale Price**

State	Property Type	\$400,000	\$1,500,000	Who Pays
Maine	All	\$1,760	\$6,600	Seller/Buyer
New York	All	\$1,600	\$21,000	Seller*
Massachusetts	All	\$1,824	\$6,840	Deed Signatory
Rhode Island	All	\$1,840	\$9,230	Seller
Connecticut	All	\$3,000	\$18,750	Seller
New Hampshire	All	\$3,000	\$11,250	Seller/Buyer
Vermont	Primary Residence	\$3,940	\$20,110	Buyer
Vermont	Primary Residence (Financed via VHA, USDA, RD)	\$2,205	\$18,375	Buyer
Vermont	Not Primary Residence (Long-term rental or not fit for year round habitation)	\$5,880	\$22,050	Buyer
Vermont	Not Primary Residence (Fit for year-round habitation but not used as a long-term rental)	\$14,480	\$54,300	Buyer

\*Who Pays in New York: The RETT is paid by the grantor (seller). The tax should not be paid directly or indirectly by the grantee (buyer), except as provided in contract between seller and buyer. However, if the seller doesn't pay the tax, or is exempt from the tax, the buyer must pay the tax.

Meanwhile, by eliminating the RETT for qualified first-time home buyers, the savings will make a real difference to the buyers who are sometimes committing their entire life savings to get to closing. A lot of focus will likely be on the increase for the portion of the sale over \$1M, but the elimination of the tax for certain transactions shouldn't be overlooked.

L.D. 1082 is an opportunity to slash the tax burden for hundreds of first-time homebuyers and those selling their homes to them by making a relatively small adjustment to larger transactions. The new revenue will allow us to secure funding to build future homes for families and seniors. It's imperative we do this for Maine people, for our workforce, for businesses, and for the economy as a whole.

Thank you for the opportunity to present this proposal, and I would be happy to take any questions.