

Testimony in Support of LD 1082, An Act to Invest in Maine's Families and Workforce by Amending the Real Estate Transfer Tax

April 2, 2025

Sen. Grohoski, Rep. Cloutier, and members of the Taxation Committee, my name is Maura Pillsbury and I am a tax policy analyst at Maine Center for Economic Policy. We are testifying in support of LD 1082.

LD 1082 would increase the real estate transfer tax on the portion of the sales price of homes above \$1 million from \$2.20 per \$500 to \$5 per \$500. The tax on the portion of the sales price under \$1 million would remain the same. This bill would also exempt certain first-time home buyers participating in MaineHousing's mortgage loan programs from the tax. The bill also changes how the funding is allocated, with more of it flowing into programs to support affordable housing and a smaller portion going to the general fund.

Maine's real estate transfer tax has not changed in decades, and lags well behind most other New England states, as shown in the summary table included in my testimony. The real estate transfer tax in Maine is split between the buyer and the seller. The party responsible for paying the tax varies in other states.

State	Real estate transfer tax policy ¹
Maine	\$2.20 per \$500
Connecticut	\$3.75 per \$500 (<\$800,000) \$6.25 per \$500* (>\$800,000, <\$2.5 million) \$11.25 per \$500 (>\$2.5million) \$1.25 per \$500 additional municipal tax *Rate for non-residential property
Rhode Island	\$1.40 per \$500 (mobile or manufactured homes) \$2.30 per \$500 (<\$800,000) \$4.60 per \$500 (>\$800,000)
New Hampshire	\$3.75 per \$500 (but essentially doubles to \$7.50 per \$500 because it is paid twice, by both buyer and seller)
Massachusetts	\$2.28 per \$500 (most of the state) Additional taxes and fees may apply in specific counties
Vermont	\$2.50 per \$500 on first \$200k for principal residences \$6.25 per \$500 \$17 per \$500 for non-principal residences Exempt: First \$250,000 for certain types of govt. loans

Source: State revenue departments and statutes

In recent years, several other New England states have expanded their real estate transfer taxes to treat higher value properties differently. Last year, Vermont passed a law enacting a higher tax on non-principal residences.ⁱⁱ

LD 1082 would only apply to only the highest value property sales in the state. Creating a graduated real estate transfer tax for higher value properties would make this tax more progressive, asking more of those who have a greater ability to pay.

The real estate transfer tax is an important source of revenue that supports affordable housing. As you know, Maine is facing a dire housing shortage. You will hear from others about the impacts of this housing shortage on the affordability of housing in Maine and the ripple effects this has on the ability of Mainers to make ends meet. According to MaineHousing's housing affordability index, in 2023 the home price affordable to Mainers with the median income in the state was \$198,000, over \$160,000 less than the average home price in Maine.ⁱⁱⁱ

We urge the committee to support this bill.

Thank you for your time. I would be happy to answer any questions.

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ⁱ Note: Some states use percentages; in those instances, the percentages were converted into rates per \$500 for purposes of comparison in this table.

ⁱⁱ Docker, Corey. "Vermont moves toward new tax on second home buyers." 17 May 2024. Vermont Public. <https://www.vermontpublic.org/local-news/2024-05-17/vermont-moves-toward-new-tax-on-second-home-buyers>

ⁱⁱⁱ MaineHousing. 2023 Homeownership Housing Facts and Affordability Index for Maine. <https://mainehousing.org/data-research/housing-data/housing-affordability-indexes>