

Testimony in Support of LD 1591, An Act to Grant a Municipality Authority to Tax Property According to Use and LD 1610 RESOLUTION, Proposing an Amendment to the Constitution of Maine to Apportion Differentiated Tax Rates on Real Property According to Use

5/1/25

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 1591 and LD 1610. We are also supportive of the intent of LD 432.

LD 1610 proposes to amend the Constitution to allow property taxes to be differentiated based on use, including whether the property is a homestead, non-homestead, or commercial. The bill proposes to remove the requirement from the Constitution to apportion and assess all property equally. This would allow the Legislature to grant authority to municipalities to tax properties according to use. LD 1591 grants the authority to municipalities to do so. These bills work in tandem together to allow the Legislature to grant this authority to municipalities.

We also support the intent of LD 432, which proposes to accomplish something similar. However, our interpretation is that the Constitution cannot directly grant this authority to municipalities but rather that the Legislature would need to do so. Therefore, we would suggest the sponsor and the Committee seek clarity from the Attorney General's office.

As you know, residential property values in Maine have skyrocketed since the COVID-19 pandemic. Maine ranks first in the nation for the largest increase in median home price from 2019 to 2024.ⁱ The median home sale price has more than doubled from \$200,000 to \$400,000 in just six years.ⁱⁱ Commercial property has not kept up with this same pace. As a result, municipalities completing reassessment are seeing significant shifts in their property tax base from commercial to residential, with homeowners increasingly bearing more of the overall cost of property taxes to fund education and services in communities than commercial property owners.

Giving municipalities the option to tax commercial property and second homes differently than homesteads would allow municipalities to decide how they want property taxes to be distributed. This could allow them to address the strains on residents in their communities from increasing property taxes. This is a common practice in some other states including Vermont, but unfortunately is currently disallowed by the provision in the Maine Constitution that this bill seeks to change. These bills would give municipalities more options to address the impact of rapidly increasing home values and resulting property taxes on their communities.

Thank you for your time. I would be happy to answer any questions. maura@mecep.org

ⁱ Van Allen, Peter. "Maine tops US list of home price increases over the past 5 years. Maine Biz. 5 Sept 2024. <https://www.mainebiz.biz/article/maine-tops-us-list-of-home-price-increases-over-the-past-5-years>

ⁱⁱ Bouchard, Kelley. "Typical Maine home now costs over \$398,000 – a record." Portland Press Herald. 21 June 2024. <https://www.pressherald.com/2024/06/21/the-typical-maine-home-now-costs-over-398000-a-new-record/>