



HOUSE OF REPRESENTATIVES

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Senator Grohoski, Representative Cloutier, distinguished members of the Committee on Taxation, I'm Steve Foster, Representative for House District 32, serving Charleston, Dexter, Exeter, Garland, Stetson, and a part of Bradford, here to support LD1770, "An Act to Provide Immediate and Long-term Property Tax Relief to Maine Households".

This committee has many bills to consider addressing property tax issues in Maine. This has been an ongoing issue during the last several legislatures, with many tweaks and adjustments made to bring relief to Maine residents who find it more difficult to afford the annual increases and remain in their homes. I'm supporting LD1770, as I believe a long term answer to this problem requires much more than occasional increases to the Homestead exemption, tax credits, or other temporary fixes. I think the Task Force and its work this bill would establish, may provide that answer.

For many years before coming to the Legislature, I've felt Maine's approach to property tax assessment has been unfair, especially to longtime residents. With the current constitutional language, we are in effect taxing unrealized capital gains. For example, an elderly widow wanting to stay in the home she and her husband purchased sixty years ago, finds her taxes increasing as like properties in her area are purchased for many times what she and her husband invested in their home. With this method of assessment, she and others in her municipality are subsidizing the new neighbor next door who recently paid a much higher amount for their home than most would say it was worth.

When one sells a stock, a collectable, or a property purchased as an investment, they pay a capital gains tax based on the sale price minus the cost basis. For anyone involved with settling an estate, the same comes into play when dealing with real estate left to the heirs. Federal tax law spells out in great detail how this is to be dealt with under various circumstances. I learned much about this when settling my folk's estate and helping my wife settle her folk's estate a few years ago. During the process, I came to the position that using cost basis along with annual cost of living adjustments might be an answer to Maine's current property tax assessment issues.

Returning to the homeowner's situation mentioned earlier; in her case, this lady would be paying property tax based on the purchase price 60 years ago, the capital improvements made during those years, and some type of annual cost of living adjustment, which would apply to all property owners in her municipality. Should she be unable to provide records of that information as required by the Federal government when establishing cost basis, her valuation might be based on her insurance company's replacement value estimate. Her new neighbor's cost basis would start at the purchase price they were able to afford at the time. Some might think this could be unfair to the new home owner spending such a large amount for their property, but I imagine my folk's neighbors thought paying \$1500.00 for their home on four acres in 1955 was quite extravagant.

As I stated in my recent request to withdraw for my property tax bill, LD614, with the many property tax bills before you and as my concept would likely require an amendment to Maine's constitution, I believe it would take much more consideration than time might permit for your committee or me to invest during this session. After reading LD1770, I think it offers the opportunity to fully research and address Maine's ongoing property tax problem. I hope the committee and Legislature will support it to find a solution to help folks afford to keep their long held properties.

Thank you.

Respectfully submitted,
Steve Foster
State Representative