

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *May 1, 2025*

LD 1770 – “*An Act to Provide Immediate and Long-term Property Tax Relief to
Maine Households*”

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration in general Support of LD 1770, “*An Act to Provide Immediate and Long-term Property Tax Relief to Maine Households.*”

This bill is an emergency bill and is comprised of two parts. Section 1 would expand the Property Tax Fairness Credit (“PTFC”), and Section 2 would establish the Real Estate Property Tax Relief Task Force which would be responsible for providing a report back to the Legislature by December 15, 2025, with recommendations, including recommended legislation. The task force is directed to examine the assessment of property taxes and property relief programs and make recommendations for improving the process involved in determining, levying and paying property taxes, and reducing the tax burden including possible changes to the Constitution of Maine and other laws using data collected at the municipal, county, state and national level.

With respect to Section 1 of the bill, the Administration continues to support the Property Tax Fairness Credit as the quickest and most cost effective way to provide targeted tax relief. We note, however, that the current budget is tight and

legislation for an expanded PTFC may have to be part of an initial report back from the task force in early 2026. If the Committee nevertheless intends to move forward with a change in the PTFC this legislative session, we recommend adjusting the benefit base rather than, or in addition to, the maximum credit allowed. Furthermore, Section 1 of LD 1770 should be coordinated with LD 715 and LD 1665, also presented this Session, which both propose changes to the PTFC.

With respect to establishing a task force under Section 2 of the bill, the Administration supports a coordinated and comparative study of the Maine property tax system with a report back to the Legislature setting forth options and recommendations for a more efficient, transparent, and equitable property tax system. It has been nearly 20 years since the last considered review of Maine's property tax system and the closely related topics of state support through K-12 funding and revenue sharing. The current system should be examined to consider options for an integrated set of modernization changes, be they a matter of more limited and straightforward simplification of current provisions, or a broader review of the tax burdens, relief measures, revenue allocations, and structural limitations and practices that frame the current system.

We would recommend the Committee consider several changes to the current bill, however. With the extensive range and depth of work being requested of the task force, it is unlikely the task force will be able to gather and analyze the data and other relevant information, reach recommendations, and complete its report and recommended legislation in a meaningful way by December 15, 2025. We would recommend instead an interim report be issued in February 2026 that provides initial findings, an outline of proposed further study and narrowed set of final report objectives of the task force, and if the task force deems it consistent

with their work up to that point, proposed legislation for an expanded Property Tax Fairness Credit. A final report of the task force with comprehensive findings and proposals could be provided to the 133rd Legislature and the next Administration in January 2027. Further, the bill should be amended to clarify the study objectives, perhaps adding to the task force duties the study of TIFS and the consolidation of municipal services to reduce costs.

Finally, I note that the Administration opposes – or is neither for nor against – the other bills that have been scheduled for public hearing here today relating to property tax. The Administration is not submitting separate testimony on each because now is not the time for working through their proposals. Instead, they are better considered as part of the work of the task force.

The estimated preliminary fiscal impact of the expanded PTFC benefits is \$19.5 million in fiscal year 2026 and increasing to \$24 million by fiscal year 2029.

The estimated administrative costs are nominal and can be absorbed within current budgetary allotments.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.