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Testimony in Opposition to LD 1798, An Act to Increase Revenue Sharing and to Control Property Taxes

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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 opposition to LD 1798.

This bill would create a mechanism to provide an additional 20% in state revenue sharing for municipalities that put a limit of a 2% increase on property taxes for residents 65 and older who qualify for the homestead exemption. We have serious concerns with the design of this policy.

First, the policy is not well-targeted to help older Mainers struggling with their property taxes. A blanket cap on property taxes for all Mainers over 65 will give wealthy Mainers who can afford to pay their property taxes a benefit they do not need. Those with larger, more expensive homes and higher property taxes will disproportionately benefit—they will save more and therefore municipalities will lose more in property taxes on those homes. Maine has already tried capping property taxes for older Mainers with the property tax stabilization program, and the costs were not sustainable.

Second, the amount of money a municipality may lose by capping property taxes for residents over 65 and 20% of their current revenue sharing may not be aligned. Some municipalities may still lose money, and some may receive more than they lose depending on how many residents they have over 65 and the value of their homes. This could create inequitable revenue sharing across communities. Because the funding mechanism for revenue sharing remains the same under this bill (5% of the State Government's monthly sales, corporate, and personal income tax revenues) presumably the additional 20% for municipalities participating in this program would come at the expense of other municipalities in the revenue sharing pool. This cost could range from a few thousand dollars in smaller municipalities, to over \$2 million in Maine's cities.

Several municipalities already have means tested programs that help older residents pay their property taxes. Instead of changing how the existing revenue sharing pool is distributed as this bill proposes, the state could instead bolster existing programs that are already well-targeted, like the property tax fairness credit.

We agree that the Legislature should take action to address the impact of the rising cost of property taxes on housing insecure older Mainers. However, we do not believe this policy is a good approach to doing so.

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