



Laura Supica

34 Highland Avenue
Bangor, ME 04401
Phone: (207) 717-5702
Laura.Supica@legislature.maine.gov

HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
TTY: MAINE RELAY 711

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Testimony of Rep. Laura Supica presenting

LD 1755, An Act to Increase the Maine Historic Property Rehabilitation Tax Credit in Rural Areas

Before the Joint Standing Committee on Taxation

Senator Grohoski, Representative Cloutier and the esteemed members of the Joint Standing Committee on Taxation, I am Laura Supica, and I represent House District 22, which is part of Bangor. I am here today to present **LD 1755, An Act to Increase the Maine Historic Property Rehabilitation Tax Credit in Rural Areas**.

LD 1755 is from the experiences of Maine developers in rural areas who are working on important historic property rehabilitation. These projects revive our downtowns while also helping to solve our housing crisis. They convert landmark, underutilized buildings, that are often in terrible shape, into modern functional space for everyone, usually following a model that has retail on the first floor and awesome new residential housing units on the floors above.

LD 1755 would simply increase the Maine State Historic Tax Credit from 25% of qualified rehabilitation costs to 35% for projects in rural communities and only for projects that are at least 33% housing-related.

After a number of discussions with stakeholders and fellow legislators, I have circulated an amendment to the bill that decreases the maximum size of an eligible municipality from 17,500 residents to 12,500 residents to tighten up the definition of a “rural area” for purpose of this bill.

This bill would not help my hometown of Bangor, but I have seen what downtown development can do to revitalize a community. The developer, High Tide Capital, who brought me this idea of legislation, has successfully completed four developments in downtown Bangor, including one that created 20 new apartments, providing housing for medical staff.

What Maine is experiencing is a gap in financing that prevents these sorts of projects from ever coming to life in our rural communities. LD 1755 helps cover this gap, which is the result of the simple project development arithmetic that the construction cost of renovating a historic building is generally the same throughout the state while the residential and commercial rents that can be collected once the project is finished are much lower in Maine’s rural regions than they are in our larger cities. As a result, the project development capital is flowing to the larger cities in the

state not to our rural areas, and thus our rural downtowns are not coming back to life. LD 1755 is a step towards solving this imbalance.

We need to incentivize the revival of Maine's rural downtowns and all of the benefits that come with it. Bringing new housing into rural downtowns is highly visible and efficiently drives economic development where we need it. New downtown residents bring new customers to existing businesses and attract new businesses. This convenience saves energy and dollars, as residents don't need to drive to the outskirts of town or other service centers for their basic needs and wants.

You will hear from others today on how this simple bill will attract millions of dollars of investment to rural Maine, while preserving the historic character of what makes Maine...Maine.

Thank you for your consideration. I am happy to try and answer any questions you may have.

132nd Maine Legislature
An Act to Increase the Maine Historic Property Rehabilitation Tax Credit in Rural Areas
Sponsor's Amendment to L.D. 1755

5-7-25
dwalker@preti.com

Sponsor's Amendment to
An Act to Increase the Maine Historic Property Rehabilitation Tax Credit in Rural Areas

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §5219-BB, sub-§1, ¶E is enacted to read:

E. "Rural area" means any area within a municipality that has a population of less than 4712,500 inhabitants as determined by the United States Department of Commerce, Bureau of the Census based on the latest decennial census of the United States.

Sec. 2. 36 MRSA §5219-BB, sub-§10 is enacted to read:

10. Increased credit for certified qualified rehabilitation expenditures in rural areas with housing component. For tax years beginning on or after January 1, 2024, the credit allowed under this section is increased to 35% of certified qualified rehabilitation expenditures for which a tax credit is claimed under Section 47 of the Code for a certified historic structure located in a rural area of the State as long as not less than 33% of the aggregate square feet of that structure constitutes apartments, dwellings or other living accommodations. If the rehabilitation of the certified historic structure is also a certified affordable housing project as defined in this section, then the credit allowed under this section is increased by a further 10%.

Sec. 3. Retroactivity. This Act applies retroactively to tax years beginning on or after January 1, 2024.

SUMMARY

This bill increases the historic properties tax credit available to eligible projects that are located in rural areas in this State and contain a housing component. The changes in the bill apply to tax years beginning on or after January 1, 2024.