

TESTIMONY OF
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Before the Joint Standing Committee on Taxation
Hearing Date: *January 14th, 2026*

LD 382 – *“An Act to Provide Fair and Predictable Property Taxation for Landowners in the Unorganized Territory”*

Senator Grohoski, Representative Sayre, and members of the Taxation Committee – good morning, my name is Dan Pittman, Associate Tax Policy Counsel in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 382, *“An Act to Provide Fair and Predictable Property Taxation for Landowners in the Unorganized Territory”*.

This bill was originally presented as a concept draft: *An Act to Establish a System of Revenue Sharing for the Use and Management of Coastal Resources*. The sponsor amendment changes the title of and replaces the original bill, shifting the bill’s focus from revenue sharing and coastal resource management to the valuation, revaluation, and taxation of real and personal property in the unorganized territory.

Beginning April 1, 2026, the amendment proposes that the valuation of all real and personal property in the unorganized territory shall remain at or revert to the valuation for that property as of April 1, 2024, until the State Tax Assessor conducts a revaluation of all such property once every 10 years beginning with the 2030 tax year. The State Tax Assessor is directed to account for this freeze in valuation and 10-year revaluation cycle when determining the amount of the

annual Unorganized Territory Educational and Services Tax levied on all nonexempt real and personal property in the unorganized territory.

In addition, for the purposes of the annual Unorganized Territory Educational and Services Tax levy, the State Tax Assessor may not establish a mill rate that represents an increase, when compared to the same mill rate established for the prior tax year, of more than the percentage increase in the federal Social Security “cost-of-living adjustment” for the current tax year.

Historically, the Legislature, via the Municipal Cost Component bill and the County Commissioners, determine the amount of property tax revenue to raise, and the property tax valuations are used to distribute that amount among the various properties. Those valuations do not determine the total amount of tax to be collected. Reverting to 2024 values would simply result in a shift of the tax burden between property owners within the unorganized territory. Those with slower-appreciating properties (the roughly 40% of property owners whose taxes decreased or remained roughly the same following the revaluation) would need to shoulder a higher proportion of the tax burden compared to those with faster-appreciating properties and would end up paying higher taxes than they are currently in order to fund the same budget.

In addition, the bill does not address the possibility that the mill rates calculated based on the budgets passed by the County Commissioners and the Legislature will exceed the mill rate limits imposed under the bill or specify how to resolve such a conflict. The combination of 2024 valuations and 2025 base year mill rates would result in a significant decrease in the 2026 Unorganized Territory budget, making a conflict between budgetary numbers and the mill rate a likely outcome.

Further, establishing a ten-year revaluation cycle would be inefficient and lead to unnecessarily large shifts in valuation each cycle. The Property Tax Task Force has identified conducting more, rather than less, frequent revaluations as a key tool in stabilizing adjustments year-to-year, as well as assuring that valuation matches just value as closely as feasible. If valuations only occur every ten years, property owners are more likely to see large and unpredictable swings in valuation, creating uncertainty and inequity in tax administration.

The bill as written also raises significant Constitutional concerns. Art. IX, § 8, of the Maine Constitution requires that all property taxes be apportioned and assessed equally in accordance with just value. Revaluations are a tool to ensure constitutionally equitable valuations, and the bill's requirements for reverting to 2024 values and limiting revaluations therefore raise constitutional concerns.

Lastly, there are significant technical and legal concerns with the bill as written. For one, if enacted, this bill, as drafted in the proposed amendment, would arguably prevent the assessment of new construction, improvements to real estate, or personal property brought into the State that would otherwise be subject to taxation but for the proposal, potentially resulting in significant inequities. See the appendix for additional concerns and details.

Ultimately, LD 382 as amended has unforeseen, but likely negative, consequences to municipalities, is administratively burdensome, results in significant inequities, and would be a very costly form of relief for some taxpayers at the expense of equal assessment of just valuation for other taxpayers. If the Legislature wants to prioritize additional property tax relief for homestead properties, it should consider doing so in a more targeted and efficient way, such as expanding the Property Tax Fairness Credit (PTFC) or the Senior Deferral Program. We urge the Committee to vote ought not to pass.

The estimated fiscal impact is not available at this time, but the bill would result in a potentially significant reduction in taxes that may be levied in the unorganized territory. The bill would also result in significant programming and administrative costs to undo the already completed revaluation and revert all data and values back to 2024. The exact estimate is not available at this time.

Appendix:

- While Section 1 of the bill appears to only impact the unorganized territory, the new section is located in the statutory chapter that outlines the administration of property taxes in municipalities, not the unorganized territory.
- It is unclear how the mill rate calculation would work in practice. The UT mill rates are calculated using budgets passed by the County Commissioners and the Legislature via the Municipal Cost Component bill. The approved budget numbers may conflict with the mill rate restriction, and the bill offers no guidance on how to resolve such a conflict.
- It is unclear how the assessment freeze would affect programs such as Tree Growth, which requires forest land to be valued based on values promulgated in conjunction with Forestry each year.
- The inability for the unorganized territory to increase values in response to market conditions will cause its assessments to conflict with the minimum assessing standards in 36 M.R.S. § 327. Failure to meet these standards, in particular, the minimum certified ratio, will result in reduced exemptions such as homestead for unorganized territory property owners.
- It is unclear what is intended by the 2nd ¶ of the new section 509(3), which purports to prevent municipal regulations or ordinances from conflicting with the new provisions. The unorganized territory is, by definition, not located in a municipality and thus not subject to municipal ordinances.