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Testimony of the Maine Municipal Association (MMA)

In Opposition to

LD 2124, *An Act to Support Emergency Shelter Funding Using Revenue
from the Real Estate Transfer Tax*

February 10, 2026

Senator Curry, Representative Gere and distinguished members of the Joint Standing Committee on Housing and Economic Development, my name is Amanda Campbell, and as our organization's lead advocate on tax policy, I don't often get the chance to visit with you. I appreciate the opportunity to testify in opposition to LD 2124 on behalf of the Maine Municipal Association's 70-member Legislative Policy Committee (LPC).

It is important to note that municipal leaders and the members of the LPC recognize the commitment to much needed public policy funding that this bill represents. Emergency shelter funding is important and imperative for those communities hosting these much-needed resources. The LPC's opposition to this bill in no way reflects their support or position on the desperate need for increased funding for emergency shelter operations. It is, instead, an opposition to further reduction in county revenues, and an increase in local property taxes.

As you will hear from our county colleagues, the state's implementation of the Real Estate Transfer Tax (RETT) included a provision for county retainment of 10% of the total tax collected at the time of a real estate transfer. This provision is viewed as an acknowledgement of the state-local partnership required for the local implementation of state policy. Over time, the funds retained as part of this partnership have contributed not only to the self-sufficiency of the county registry of deeds departments but also to the overall revenue stream needed to fund county operations.

The committee will recall that last session, a temporary reduction in the percentage of county retained funds was enacted, and through fiscal year 2027 the counties may retain only 9.2% of the RETT collected. The sunset of that temporary provision, and a return to the retainment of the full 10%, is in jeopardy should LD 2124 pass.

Municipal officials express concern over a further decrease in RETT retainment, to 8.2% beginning September 1, 2026, for the simple (although not simple at all) reason that any reduction in county revenue equals an increase in property taxes.

In a presentation to the Real Estate Property Tax Relief Task Force*, on September 30, 2025, MMA shared an overview of the property taxation process from a municipal perspective. Of note in that presentation were the three main cost drivers in a municipal budget, of which the county budget is one. Due to limited state resources across all areas of county government, and in particular county jail funding, counties rely heavily on the property taxpayers to fund operations. Limited opportunity to participate in the county budget process coupled with no mechanism to negotiate the tax assessment once that budget is approved results in a large portion of the property tax bill that municipal officials must simply accept.

Similar in nature to the tie between municipal revenue sharing and state sales and income tax revenues, the RETT is tied to the housing market. This intentional recognition of the ebb and flow of economies, and the intergovernmental partnership of each program, means that both state and local governments benefit more in times of economic boom. Likewise, both must be more mindful in times of economic downturn. Diversion of increased revenue during positive economic activity hurts later in times of economic loss, for all agencies involved. With no constitutional protections for either revenue sharing or the RETT, disbursement of local government revenues is at the mercy of a legislature that may find what they deem to be a better use for those funds. This was no more apparent than between 2010 and 2019 when almost \$700 million in local revenue sharing funds were diverted from communities and applied to other state programs. Municipal officials are grateful for the recent return to a full 5% share of sales and income tax, as was originally intended. However, our county colleagues have benefited from no such comparable commitment to any state funding.

State funding for Maine's emergency shelters is vital to the continued operation of these much-needed facilities. Municipal officials suggest that in recognition of shelters as a housing tool, and the state's priority of housing policy, a reallocation in disbursement of the almost \$60 million in state RETT funds may make sense. Continuing to erode what revenue is provided to the counties, in return for the administration of a state program, simply transfers the cost burden to the taxpayers.

Thank you for your consideration of the municipal perspective on this important topic. Please feel free to contact me or any member of the MMA Advocacy team with questions relating to municipal operations.

*Recording of Real Estate Property Tax Relief Task Force presentation. MMA portion begins at 10:11 a.m.
<https://legislature.maine.gov/audio/#127?event=95582&startDate=2025-09-30T10:00:00-04:00>

*MMA presentation materials begin on page 3 of the meeting packet. <https://legislature.maine.gov/doc/12045>