

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

Before the Joint Standing Committee on Housing and Economic Development
Hearing Date: *January 22nd, 2026*

LD 2077 – *“An Act to Reduce the Cost of Purchasing a Home by Providing Grants
to Reduce Mortgage Rates”*

Senator Curry, Representative Gere, and members of the Housing and Economic Development Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services.

This analysis is limited to the bill as it affects taxation and Maine Revenue Services.

The bill proposes a new individual income tax subtraction modification to exempt from Maine income tax an amount equal to the payments made to purchase private mortgage insurance for the taxpayer’s primary residence in Maine. This new subtraction modification is duplicative of an existing federal itemized deduction for mortgage insurance premiums paid, overlapping with it in some ways, but differing in others.

The differences between this proposed subtraction modification and the existing federal itemized deduction, including the narrower applicability of the subtraction modification to only private mortgage insurance premiums, and the process and criteria applicable to the benefit (including the availability to both taxpayers itemizing their deductions and those claiming the standard deduction,

and lack of phaseout for higher income taxpayers), will be burdensome for taxpayers to navigate and for Maine Revenue Services to administer.

The Committee may want to consider whether the bill's policy goals and intended beneficiaries are well served by these differences. Or if, instead, these goals would be better served by the State simply conforming to the federal itemized deduction – an issue that will shortly be before the Committees on Appropriations and Financial Affairs, and Taxation.

On a more technical level, to avoid allowing multiple deductions for the same activity, the bill should be clarified to limit the subtraction modification to amounts not included in itemized deductions pursuant to 36 M.R.S. § 5125.

The preliminary fiscal impact estimate cannot be determined until the proposed language is clarified. The bill's estimated administrative costs are under consideration. One-time computer programming and related system testing costs would be required to add an additional line to Form 1040ME, Schedule 1S to accommodate the income subtraction modification.