

Testimony in Support of LD 1650, An Act to Create a Tiered Senior Resident Homestead Exemption*April 25, 2023*

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy. I am submitting this testimony in support of LD 1650.

LD 1650 would repeal the property tax stabilization program for the 2024 tax year, and in its place enact a tiered homestead exemption for Mainers 65 and older. The new tiered homestead exemption for older Mainers would be \$25,000 for those with 80 percent or less of the regional median family income, and \$15,000 for those with 80-100 percent of regional median family income.

The existing homestead exemption program allows for a property tax exemption of up to \$25,000 of property value for permanent Maine residents on their primary residence. LD 1650 would allow participants to stack the benefits on top of each other, allowing older Mainers with the greatest need to receive a property tax exemption for up to \$50,000 of their property value, essentially doubling their existing homestead exemption.

MECEP supports this bill because it is a more targeted benefit for older Mainers who need it most, as opposed to the property tax stabilization program, which provides a benefit to even the wealthiest Mainers. As we testified previously, the property tax stabilization program provides disproportionately greater benefits to Mainers with wealth because they have higher property values.

A tiered homestead exemption will reduce property taxes for older Mainers struggling the most to afford housing and other necessities. The homestead exemption is an important program for reducing property tax liability, especially for homeowners who live in areas with low property values but high mil rates. According to Maine Revenue Services, the average statewide mil rate for 2021 is 12.66 milsⁱ (\$12.66 per \$1,000 of property value), which would value the average full homestead exemption at \$316.50 (12.66 x 25). **Adding a property tax exemption for an additional \$15,000 or \$25,000 of property value would provide an additional property tax reduction of approximately \$189.90 or \$316.50 for older Mainers in need** (depending on their mil rate).

The bill tasks the State Tax Assessor with determining eligibility annually and providing a list of eligible residents and their exemption levels to municipalities, which we believe is preferable to avoid administrative complexity and burden on municipalities. Because this program would be administered similar to the existing homestead exemption, it would also eliminate the necessity for an annual application.

Thank you for your time. Please contact me with any questions: maura@mecep.org

ⁱ Equalized average state mil rate for 2021. There is wide variation among average mil rates, from 9.21 in Lincoln County to 18.18 in Aroostook County. Property taxes are calculated using local mil rates, therefore this is an approximation. See Maine Revenue Services website on full value tax rates.

<https://www.maine.gov/revenue/taxes/property-tax/municipal-services>

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