

Testimony in Support of LD 575: An Act to Provide Property Tax Relief to Maine's Working Families

Good morning Senator McCormick, Representative Goode, and distinguished members of the Joint Committee on Taxation. I'm Joel Johnson, an economist at the Maine Center for Economic Policy.

The Maine Center for Economic Policy supports LD 575. By expanding the sales tax to recreation and amusement services and using the revenue to double the homestead exemption, this bill would provide millions of dollars in tax relief to Maine residents at little cost to the state. It would do so by exporting taxes to nonresidents and visitors.

Estimates vary, but at least 20% of recreation and amusement services are consumed by nonresidents.

The homestead exemption, in contrast, exclusively benefits Maine resident homeowners. The homestead exemption is also a progressive tax relief provision, because a homestead worth \$100K gets the same dollar amount of tax relief as homestead in a similar community worth \$500K.

Under current law, the homestead exemption reduces the taxable value of Maine resident homesteads by \$10,000. The value of the exemption to individual homeowners varies according to the local mil rate. In Gardiner, for example, where the mil rate is 19.9, the value of the homestead exemption is \$199 per year, and there are 1,210 homesteaders. Increasing the homestead exemption to \$20,000, as proposed by LD 575, would directly reduce property taxes for 1,210 resident homeowners of Gardiner by an additional \$199 each. That's more than \$240,000 in property tax relief for Gardiner residents.

The amount of direct property tax relief in LD 575 would be much greater in municipalities with higher mil rates. Lewiston, for example, has a mil rate of 26.4 and 6,337 homesteads. This bill would provide Lewiston homeowners with nearly \$5.9 million in direct annual property tax relief.

The Maine Center for Economic Policy fully supports the concept in the bill and we would like to work with members of the committee to make small changes to the bill to ensure it would have a neutral impact on the state's General Fund.