

Testimony in Opposition to Governor's Proposed Budget, Part G

Good morning Senator Hamper, Representative Gattine, Senator Dow, Representative Tipping-Spitz, and honorable members of the Appropriations and Financial Affairs and Taxation Committees. My name is Sarah Austin, a policy analyst at the Maine Center for Economic Policy. I'm here to testify in opposition to Part G of the governor's proposed budget.

Part G of the governor's budget would repeal the homestead exemption and increase property taxes for an estimated 213,000 Maine homeowners by more than \$300 on average. Particularly hard hit would be homeowners living in towns with high mil rates and low-income homeowners who have a larger portion of their property tax bill shielded by the homestead exemption.

Property taxes have risen significantly over the last several years even as municipal leaders have cut and thinned out local budgets. State cuts to revenue sharing, elimination of the old circuit breaker program, and other state policies like failure to fully fund education have all taken their toll on municipalities abilities to keep property taxes affordable. Residents in some communities with high mil rates like East Millinocket, Lewiston, and Waterville would see some of the biggest increases in their property taxes if the homestead exemption were eliminated for homeowners under 65.

The homestead exemption is also an important tool for improving tax fairness by reducing a greater share of property taxes paid by low-income homeowners. That's because low-income Mainers tend to have houses valued less than high-income Mainers. While the homestead exemption shields the first \$20,000 in home value from taxation for all eligible homeowners, low-income homeowners ultimately pay taxes on a smaller share of their home value. This means that the homestead exemption reduces effective property tax rates most for low-income homeowners.

Finally, the homestead exemption plays an important role in our overall tax system of helping to export some of the costs of providing local services to non-resident homeowners who benefit from the services our communities provide.

The property tax increases resulting from the elimination of the homestead exemption proposed in the governor's budget do not pay for better schools, or fixing potholes, or paying firefighters. Instead the governor shifts more cost onto Maine homeowners, fails to fully fund education like voters just demanded, and cuts even more funding from local towns to pay for huge tax cuts for the wealthiest Mainers.

On behalf of the Maine Center for Economic Policy, I urge the committee to reject Part G of the governor's budget to protect fair property taxes across the state and prevent shifting more costs onto local property taxpayers.