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Maine People's Tax Burden Now The Highest Ever!

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The latest figures from the U.S. Census Bureau show that the difference between the average tax burden and the Maine tax burden cost every man, woman, and child in the state an extra \$401 in fiscal year 2006. In fact, the state and local tax collections have exceeded 14 percent of Maine Personal Income for the first time. That amounts to one of every seven dollars earned in Maine!

Unfortunately, the data only supports what most Mainers already know—Maine's state and local tax collections as a percent of personal income (hereafter "tax burden") are increasing at an unsustainable rate. In fact, Chart 1 shows that Maine's state and local tax burden hit a new all-time high of 14.02 percent—an increase of 4.7 percent from FY 2005 (13.39 percent). In other words, this means the state and local tax burden grew 4.7 percent faster than Mainers' paychecks.

Nationally, state and local tax burdens were up 2.3 percent to 11.25 percent in FY 2006 from 10.99 percent in FY 2005. This means that Maine's tax burden grew at a rate twice as fast as the national average. The tax burden gap between Maine and the national average is now at the second-highest level of all-time of 24.7 percent.

In FY 2006, Maine's tax burden ranked as the 4th highest in the country. However, this is misleading because both Alaska and Wyoming have been rising rapidly in the rankings due to their heavy reliance on severance taxes (taxes levied on the extraction of natural resources such as oil, natural gas, coal, etc.). Excluding Alaska and Wyoming puts Maine at the number two spot behind New York.

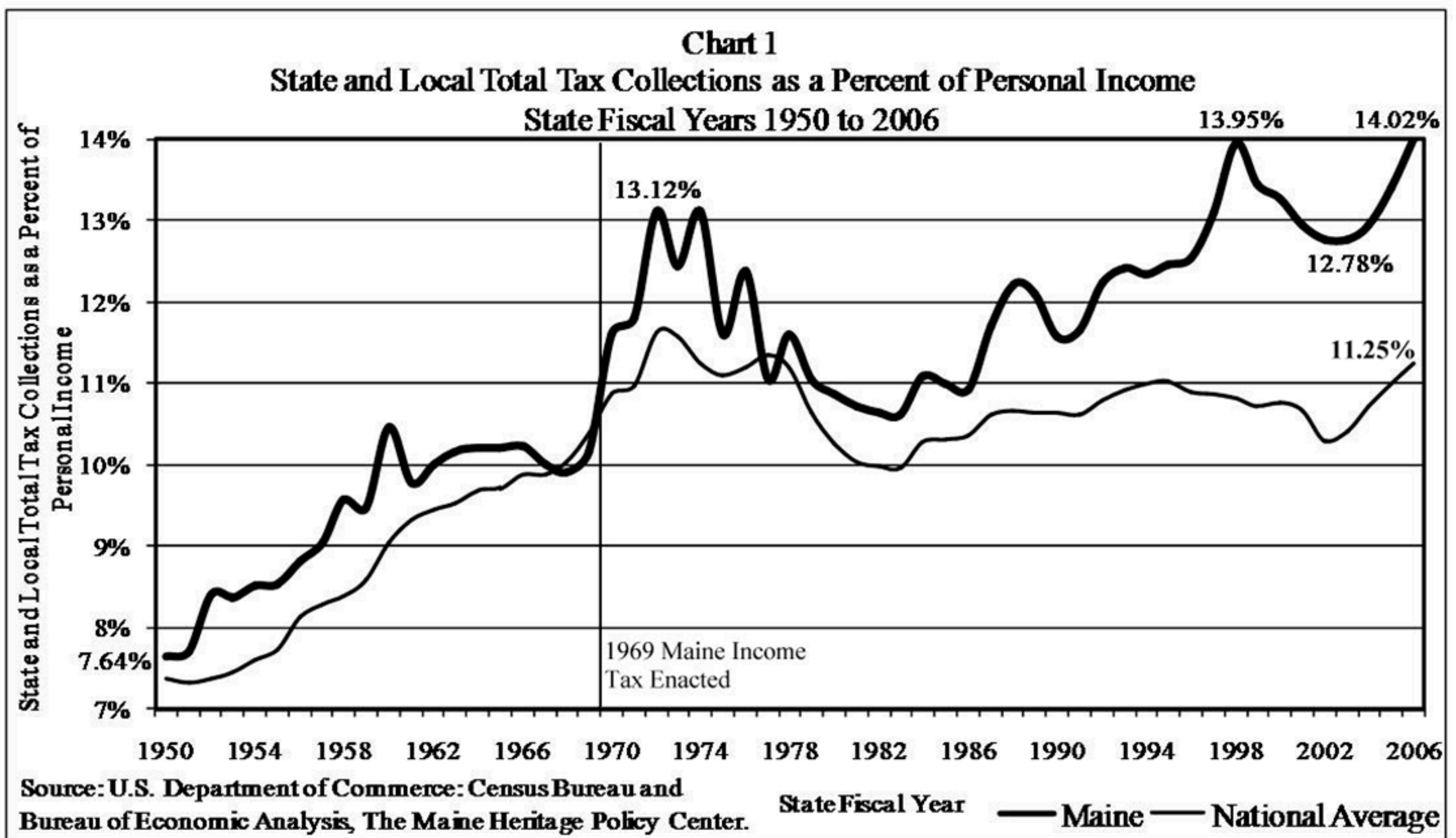


Table 1 breaks down Maine's state and local tax burden into the problem taxes that are pushing Maine up the rankings. Of all the taxes, property taxes are clearly the largest contributor to Maine's high tax burden and stands almost two full percentage points higher or \$401 on a per capita basis than the U.S. average. Coming in a distant second is the individual income tax (0.79 percentage points, \$143 per capita). Other abnormally high taxes include: Motor Fuel (0.21 percentage points, \$50 per capita), Tobacco Products (0.23 percentage points, \$68 per capita), Occupation and Business Licenses (0.1 percentage points, \$26 per capita), and Death and Gift Taxes (0.14 percentage points, \$41 per capita).

Some policymakers in Augusta believe that Maine's tax burden problem can be mitigated by simply increasing the sales tax to provide property tax and/or individual income tax relief. Table 1 shows that this is clearly not possible since Maine's general sales tax is essentially at the U.S. average. Such a so-called tax reform plan would simply move around the problem by also pushing the sales tax burden above the national average—not to mention exacerbating Maine's cross-border shopping problem with New Hampshire.^[1] The only viable solution to Maine's high tax burden is to reduce taxes.

Needless to say, the ominous rising tax trend is unsustainable. If policymakers truly want to reverse this trend then they should embark on a plan which would eliminate taxes outright, shrinking both tax liabilities and the tax code. A good place to start would be to eliminate the death and gift tax whose burden is higher than the national average and particularly hurts Maine's small businesses.

Type of Tax	Per Person <i>(Every man, woman and child)</i>		
	U.S. Average	Maine	Difference
Total	\$4,019	\$4,420	\$401
Property	\$1,204	\$1,683	\$479
Individual Income	\$899	\$1,042	\$143
General Sales	\$946	\$793	-\$154
Motor Fuel	\$124	\$174	\$50
Tobacco Products	\$50	\$118	\$68
Occupation and Business Licenses	\$45	\$71	\$26
Death and Gift	\$16	\$57	\$41
All Other Taxes	\$735	\$482	-\$253
Type of Tax	Percent of Personal Income		
	U.S. Average	Maine	Difference
Total	11.25%	14.02%	2.77%
Property	3.37%	5.34%	1.97%
Individual Income	2.52%	3.31%	0.79%
General Sales	2.65%	2.51%	-0.13%
Motor Fuel	0.35%	0.55%	0.21%
Tobacco Products	0.14%	0.37%	0.23%
Occupation and Business Licenses	0.013%	0.23%	0.10%
Death and Gift	0.04%	0.18%	0.14%
All Other Taxes	2.05%	1.53%	-0.52%

Source: U.S. Department of Commerce: Census Bureau and Bureau of Economic Analysis, The Maine Heritage Policy Center.

Notes and Sources:

[1] For more on cross-border shopping, see: <http://www.maineconomy.org/Portals/0/Issue%20Brief,%20No%2027.pdf>

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All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

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