

Maine Issue Brief

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Maine's State and Local Tax Collections: Fiscal Year 2005 Update

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Recently, the U.S. Census Bureau released estimates for local tax collections for state fiscal year (FY) 2005. The FY 2005 state and local tax collection data revealed a growing level of taxation Maine taxpayers. As shown in Chart 1, Maine's state and local tax collections as a percent of personal income were up 0.2 percent to 13.07 percent in FY 2005 from 13.05 percent in FY 2004. [1]

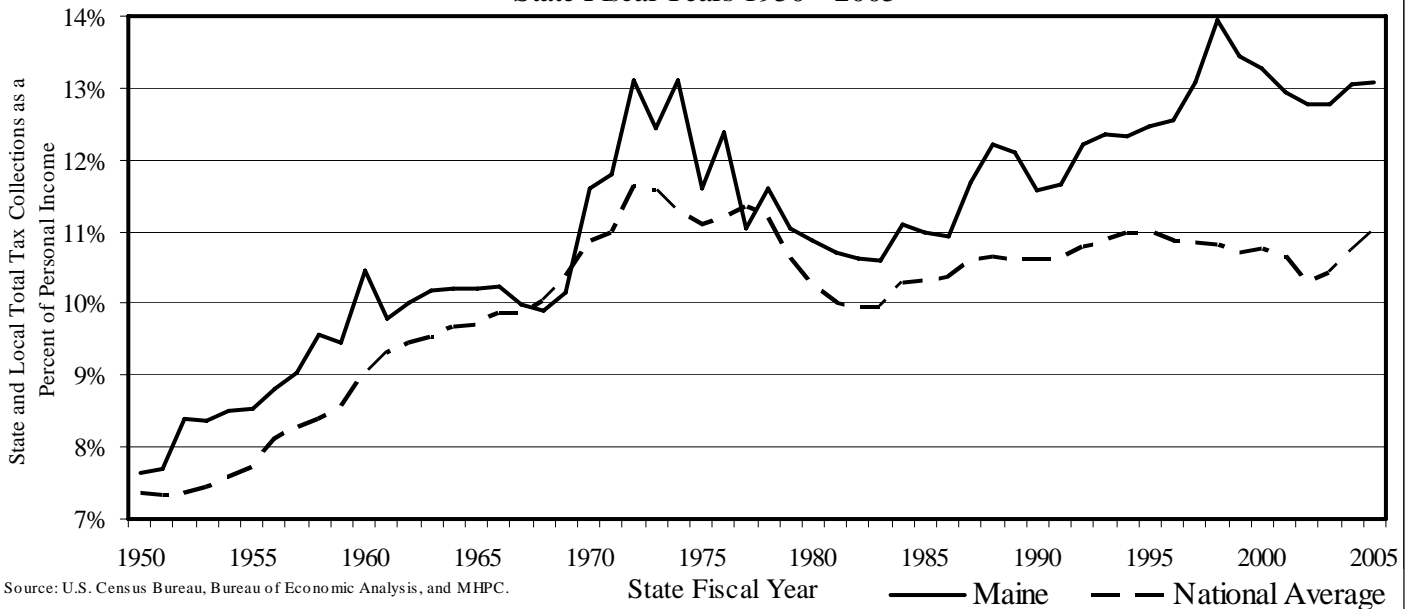
Nationally, state and local tax collections as a percent of personal income were up 2.4 percent to 11 percent in FY 2005 from 10.74 percent in FY 2004. While Maine's level of taxation grew more slowly than the national average, that fact provides very little solace to Maine's beleaguered taxpayers.

Table 1 shows that, in 2005, Maine maintained the number three national ranking. In contrast, all other New England states ranked below Maine: Vermont, five; Rhode Island, eight; Connecticut, 11; Massachusetts, 32 and New Hampshire, 47. Wyoming tightened its hold on the number two spot as severance tax revenue continued to increase; growing by 17.9 percent between FY 2004 and 2005.

Unfortunately, this relative lull in the overall growing trend in Maine's level of taxation will likely to be short-lived. While local FY 2006 tax collection data will not be available until this same time next year, state tax collection data for FY 2006 is already available from the U.S. Census Bureau. The state data is not encouraging as it shows a 12 percent increase to 8.61 percent in FY 2006 from 7.69 percent in FY 2005.[2]

In fact, the dollar increase in state tax collections of \$519,173,000 between FY 2005 and FY 2006 is the largest since FY 1950—even when adjusted for inflation. On a percentage basis, the tax categories most responsible are: "Amusement" sales

Chart 1
State and Local Total Tax Collections as a Percent of Personal Income
State Fiscal Years 1950 - 2005



rising to \$10,748,000 from zero; “Other Selective Sales” rising to \$95,562,000 from zero; “Tobacco Product” sales rising to \$154,825,000 from \$91,905,000; “Public Utility” sales rising to \$17,083,000 from \$8,828,000; “Occupation and Business” license rising to \$93,283,000 from \$47,714,000; “Motor Vehicle Operator” license rising to \$10,478,000 from \$6,914,000, and “Estate and Gift” rising to \$75,330,000 from \$32,258,000.

While it can be difficult to trace specific tax legislation to changes in the U.S. Census tax collection data, recent tax increases likely contributing to this massive tax increase include: the Dirigo “Savings Offset Payment,” the Cigarette Tax, and the Service Provider Tax.

Needless to say, the ominous rising tax trend is unsustainable and is a significant factor in the shrinking of Maine’s private sector as a percent of personal income—now at its all-time low.[3] A good place to begin reversing this trend would be to stop creating new types of taxes and instead, start eliminating types of taxes, shrinking both tax liabilities and the tax code.

Notes and Sources:

- [1] For a more in-depth analysis of Maine’s level of taxation, see: [http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%204,%20Issue%20No.%201%20\(final\).pdf](http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%204,%20Issue%20No.%201%20(final).pdf)
- [2] For a graphical illustration of the increased level of state taxation, see my blog post at: http://blog.maineconomy.com/2007/05/state_tax_buden_still_on_the_r.html
- [3] For more information on Maine’s private sector share of personal income, see: <http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%>

State	2005	Rank	State	2005	Rank
United States	11.00%	--	Montana	9.96%	41
			Nebraska	11.58%	14
Alabama	8.94%	48	Nevada	10.13%	37
Alaska	12.82%	6	New Hampshire	8.94%	47
Arizona	10.69%	26	New Jersey	11.43%	15
Arkansas	11.12%	20	New Mexico	11.62%	12
California	11.26%	17	New York	14.68%	1
Colorado	9.24%	46	North Carolina	10.47%	34
Connecticut	11.65%	11	North Dakota	11.05%	23
Delaware	11.28%	16	Ohio	11.62%	13
Florida	10.24%	36	Oklahoma	9.77%	43
Georgia	10.05%	40	Oregon	9.71%	44
Hawaii	12.99%	4	Pennsylvania	10.87%	24
Idaho	10.60%	29	Rhode Island	12.06%	8
Illinois	10.86%	25	South Carolina	10.10%	38
Indiana	11.15%	19	South Dakota	8.54%	50
Iowa	10.48%	33	Tennessee	8.91%	49
Kansas	10.68%	27	Texas	9.64%	45
Kentucky	10.67%	28	Utah	11.11%	21
Louisiana	12.28%	7	Vermont	12.91%	5
Maine	13.07%	3	Virginia	10.05%	39
Maryland	10.50%	31	Washington	10.44%	35
Massachusetts	10.50%	32	West Virginia	11.84%	10
Michigan	11.08%	22	Wisconsin	12.04%	9
Minnesota	11.16%	18	Wyoming	14.56%	2
Mississippi	10.53%	30			
Missouri	9.81%	42	District of Columbia	14.36%	--

Source: U.S. Census Bureau, Bureau of Economic Analysis, and MHPC.

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