

The Maine Heritage Policy Center Testimony to Support LD 107

“An Act To Lower the Maine Individual Income Tax Incrementally to Zero”

Senator Chipman, Representative Tipping, and distinguished members of the Committee on Taxation, my name is Adam Crepeau and I serve as the policy analyst for The Maine Heritage Policy Center. Thank you for the opportunity to provide testimony in support of LD 107, “An Act To Lower the Maine Individual Income Tax Incrementally to Zero.”

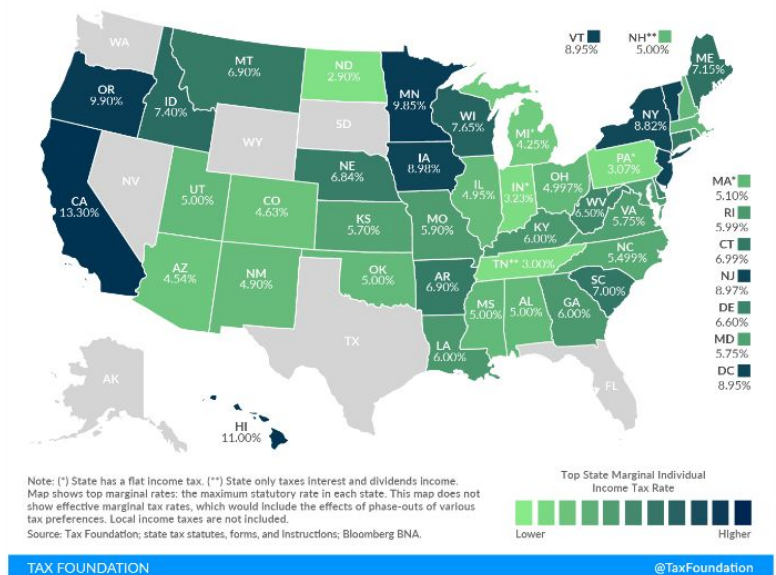
The Maine Heritage Policy Center unequivocally supports lowering and phasing out the individual income tax, potentially by 2024. The individual income tax hinders economic growth, accelerates out-migration, and places Maine at a competitive disadvantage with other states by discouraging work and investment.

Maine’s top marginal individual income tax rate is one of the highest in the nation, at 7.15 percent. A 2018 study from the Tax Foundation shows that Maine has the 12th highest top marginal individual income tax rate in the nation (including Washington D.C.).¹ Not only does this make Maine uncompetitive compared to other states, but it deters in-migration.² Research from 2016 shows that in-migration to low-tax states is much higher than in-migration to high-tax states.³ Thus, states like Florida and Nevada that do not subject their residents to an individual income tax will enjoy a higher influx of in-migration.

Lowering or repealing the individual income tax would benefit small businesses in Maine. Many small businesses are considered “pass-through entities” that report revenue from their business on their personal income tax return. In 2016, 111,750 tax filers in Maine reported business income on their returns. Incrementally repealing the state individual income tax would allow business owners and job creators to keep more of their money to reinvest in their businesses, expand their operations, and give their

How High Are Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2018



¹ <https://taxfoundation.org/state-individual-income-tax-rates-brackets-2018/>

² <https://www.alec.org/app/uploads/2016/04/2016-ALEC-Rich-States-Poor-States-Rankings.pdf>

³ <https://object.cato.org/sites/cato.org/files/pubs/pdf/tbb-84-revised.pdf>

employees raises. This would benefit the state's economy by providing more jobs and increasing wages for employees.⁴

Lastly, lowering or repealing the individual income tax will also allow Mainers to keep more of their hard-earned money to reinvest in the state economy. Since these funds are currently collected by government and do not always make it back into the economy, they do not always create tangible benefits for the people of Maine.

For those reasons, The Maine Heritage Policy Center urges the committee to vote, "Ought to Pass" on LD 107 to improve the competitiveness of Maine's economy.

⁴https://www.scribd.com/document/334945036/2017-Maine-Legislative-Guidebook#download&from_embed