

The Maine Heritage Policy Center Testimony to Oppose LD 1491 “An Act To Establish the Maine Work Tax Credit”

Senator Chipman, Representative Tipping and distinguished members of the Committee on Taxation, my name is Adam Crepeau and I serve as a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to provide testimony in opposition to LD 1491.

LD 1491 would eliminate the earned-income tax credit by 2020 and replace it with the Maine work credit. While the intent of this bill is to reward Mainers that work, it would be expensive in combination with other anti-poverty programs such as TANF, SNAP, WIC and Medicaid. The Maine Heritage Policy Center is opposed to this bill because it would expand the size and scope of government without cutting less effective programs.

Currently, low and middle income Mainers are eligible to receive five percent of the federal earned-income credit from the state of Maine. The average household currently receives around \$100 from the earned-income tax credit from the state of Maine and approximately \$2,000 from the federal government.¹ In addition, 91,000 taxpayers are estimated to receive a credit through the earned-income tax credit in 2019.²

LD 1491 would increase the dollar amount low- and middle-income Mainers could receive to approximately 30 percent of the federal credit for individuals with qualifying children and 100 percent for those without qualifying children. This bill would also make individuals who are between 18 and 25 years of age eligible for the credit. Thus, LD 1491 would not only expand the population that would be eligible for the credit but it would increase the dollar amount those populations would receive.

The state currently loses approximately \$2.8 million annually in revenue for the earned-income tax credit at five percent of the federal credit. If this bill passes, it would increase the loss in revenue by millions without seeking reductions in spending on other anti-poverty programs. How could the state possibly sustain this loss in revenue if it continues to spend funds on programs that share the same overall goal?

There is little doubt that the earned-income tax credit is one of the most effective anti-poverty programs. We would actually be in favor of expanding the credit if other programs were to be eliminated by this bill. While a program that incentivizes work would be more fruitful in reducing poverty than other anti-poverty programs, The Maine Heritage Policy Center opposes this legislation because it does not eliminate wasteful spending in other less effective programs. For those reasons, The Maine Heritage Policy Center urges the committee to vote, “Ought Not to Pass” on LD 1491. Thank you.

¹ <http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>

² https://www.maine.gov/revenue/research/tax_expenditure_19.pdf