The Maine Heritage Policy Center
Testimony to Oppose LD 1647
"An Act To Provide Tax Fairness to Maine's Middle Class and Working Families"

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 providing me an opportunity to testify in opposition to LD 1647, "An Act To Provide Tax Fairness to Maine's Middle Class and Working Families."

This bill would surely drive wealthy individuals from Maine to other states. LD 1647 would require a household that earns more than $250,000 and pays a lower effective tax rate than the "bottom 99 percent of tax families" to pay a tax equalization assessment to ensure they pay the average effective tax rate in the state. This bill is nothing more than an attempt to tax the rich by claiming they are not paying their fair share. If the motive is to help the middle class and working families, the goal should be to decrease or eliminate the income tax for all Mainers, not increase taxes on small segments of the population.

LD 1647 is a divisive bill that pits wealthier Mainers against the lower and middle class. We would not be having this conversation if the state of Maine eliminated its sales and income tax from state statute. According to the Tax Foundation, Maine ranks 11th for the highest top marginal income tax rate, 10th for highest property tax rate per capita and 42nd for highest sales tax rate when compared to the rest of the nation.[1] In sum, Maine has some of the highest tax rates in the nation, yet this bill proposes to collect a tax equalization assessment.

As a result of this legislation, wealthier individuals would have new incentive to migrate elsewhere or elect not to come to Maine altogether. There are already more millionaires per capita in New Hampshire than there are in Maine and most of the country.[2] In addition, research illustrates that individuals and families vote with their feet.[3] In fact, wealth tends to flow from high-tax states such as New York and Connecticut to low-tax states such as Florida and New Hampshire.[4] Because New Hampshire is so close, Maine would likely see more wealth lost to the Granite State under this proposal.

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[1] https://taxfoundation.org/sales-tax-rates-2019/; https://taxfoundation.org/property-taxes-per-capita-2019/; https://taxfoundation.org/2019-state-individual-income-tax-rates-brackets/
[2] https://www.cnbc.com/2018/02/07/states-with-the-most-millionaires-per-capita.html
[3] https://www.alec.org/app/uploads/2019/01/RSPS-11th-Edition-WEB-LOW-REZ.pdf
[4] Ibid.

Lastly, The Maine Heritage Policy Center is opposed to increasing the earned income tax credit (EITC) from 5 percent to 10 percent without eliminating other anti-poverty programs. While we believe the EITC's incentive mechanism is more positive than other anti-poverty programs, moving to 10 percent would cost millions. Currently, the EITC costs the state of Maine over $2.5 million annually.[5]

Because this bill would make Maine undesirable for wealth creation and likely encourage out-migration, The Maine Heritage Policy Center urges the committee to vote, "Ought Not to Pass" on LD 1647.

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