

## **The Maine Heritage Policy Center Testimony In Opposition to LD 1713**

### **“An Act To Return Funds to Maine Property Tax Payers”**

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 express our opposition to LD 1713.

The Maine Heritage Policy Center is opposed to LD 1713 because it would repurpose the Tax Relief Fund to give Mainers property tax relief instead of income tax relief. The original purpose of this fund was to reduce the income tax burden for Maine citizens and to create one tax bracket set at four percent. According to the bill summary, the fund has not reached a level that would be conducive to reducing the individual income tax.

This bill does little to actually reduce the overall tax burden for Mainers. Instead, it increases the homestead exemption for property taxpayers. While this may give some relief in the short-term, it will further enable municipalities to increase their budgets to receive the amount paid through the exemption. In short, this is a roundabout way for the state of Maine to help subsidize local budgets.

Reducing the individual income tax would be a much more effective avenue to reduce the tax burden on Mainers. Currently, the state of Maine has the 11th highest top marginal income tax rate in the nation.<sup>1</sup> LD 1292, a bill that would have reduced the individual income tax the most for the lowest tax brackets, produced a divided report from this committee. That bill would be more beneficial to helping Mainers than a check issued to property taxpayers based on owning a homestead.

The most effective way to reduce property taxes is to cut or control spending at the municipal level. When this committee debated the local-option sales tax bills, there were some mayors that said they could not guarantee their municipalities would reduce property taxes despite the likelihood that they would receive more revenue under the proposals. Similarly, municipalities will likely respond to this bill by spending additional revenues without offsetting property taxes collected from their residents.

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

*We the people of Maine...*

THE MAINE HERITAGE POLICY CENTER

For those reasons, The Maine Heritage Policy Center urges the committee to vote, "Ought Not to Pass" on LD 1713. Thank you.