**The Maine Heritage Policy Center**

**Testimony to Oppose LD 1914**

**“An Act To Provide a Sales Tax Exemption for Textbooks”**

Senator Chipman, Representative Tipping and distinguished members of the Committee on Taxation, my name is Adam Crepeau. I serve as a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to testify in opposition to LD 1914.

While the intent of this bill is laudable, it completely misses the root of the problem. The purpose of a tax incentive is to lower the tax burden on a specific population. However, the sales tax is one of the most regressive taxes in government's toolbox. Low-income individuals spend a larger proportion of their earnings on the sales tax than middle- or high-income individuals. According to the Institute for Taxation and Economic Policy (ITEP), the lowest 20 percent of income earners in Maine pay about 6.1 percent of their family income on the sales and excise tax. In contrast, the top 20 percent of income earners pay between 0.7 and 2.7 percent of their income on the tax.[[1]](#footnote-0) While LD 1914 may allow college students to save money, it would not help other Mainers seeking tax relief and adds to the convolution of the tax code.

Maine’s sales tax is quite convoluted. Most goods are taxed whereas most services are not. For example, Mainers are taxed when they buy carpet cleaning products but not when they hire a carpet cleaner.[[2]](#footnote-1) These paradoxes can be illustrated when comparing almost any service against the goods purchased to perform those services. We should not add text books to the list of carve outs in Maine’s sales tax law.

For the 2019-20 school year, the University of Southern Maine estimates that a full-time undergraduate student would spend approximately $600 for books and supplies annually.[[3]](#footnote-2) The University of Maine estimates $1,000 for students on their campus.[[4]](#footnote-3) Therefore, students are expected to spend between $33 and $55 annually on the sales tax levied on books and supplies in Maine. In Spring 2019, there were 26,877 students enrolled in the University of Maine System (UMS). Assuming all of these students claim the credit, the state could lose anywhere from $886,000 to $1.5 million in revenue from students in the UMS alone if this proposal passes.[[5]](#footnote-4)

The most effective way to help all Mainers burdened by the sales tax is to reduce or eliminate it across the board. The state should not pick winners and losers by providing carve outs for specific sects of the population or for certain goods. Therefore, The Maine Heritage Policy Center urges the committee to vote “Ought Not to Pass” on this proposal or amend it to reduce or eliminate the tax altogether. Thank you.

1. <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf> [↑](#footnote-ref-0)
2. <https://www.statetaxissues.org/services/2017/service_state.php> [↑](#footnote-ref-1)
3. <https://usm.maine.edu/student-financial-services/estimated-cost-attendance-one-year> [↑](#footnote-ref-2)
4. <https://umaine.edu/stuaid/aid-basics/costs-at-umaine/> [↑](#footnote-ref-3)
5. <https://staticweb.maine.edu/wp-content/uploads/2019/03/Spring-2019-Enrollment-Report.pdf?0fa197> [↑](#footnote-ref-4)