**The Maine Heritage Policy Center**

**Testimony to Oppose LD 1929**

**“Resolve, Establishing the Commission To Study Fair, Equitable and Competitive Tax Policy for Maine's Working Families and Small Businesses”**

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 1929.

Section 5 of this bill states that one of the duties of the commission is to study how to make Maine’s tax policy more fair and equitable while ensuring the state remains competitive. The Maine Heritage Policy Center would argue that Maine’s income tax is already too high and makes Maine uncompetitive with our only neighboring state, New Hampshire, and the rest of the country. New Hampshire does not levy an individual income tax on its citizens. In contrast, Maine has the 11th highest top marginal income tax rate in the country at 7.15 percent.[[1]](#footnote-0) The solution is simple: work to reduce or eliminate the individual income tax for all Maine citizens.

Under LD 1292, a bill considered in the first session that would have reduced the individual income tax to the next lowest whole number in each bracket, Mainers would experience a substantial increase to their net income. The top rate would have dropped from 7.15 percent to seven percent, the middle rate from 6.75 percent to six percent and the lowest rate from 5.8 percent to five percent. According to Maine Revenue Services, individuals who earn between $25,000 and $50,000 currently pay an average of $706 annually via the income tax and would have saved an average of $112 per year under the marginal reduction outlined in LD 1292. A larger income tax reduction would undoubtedly put more money in Mainers’ pockets.

The commission proposed in this bill would likely suggest something similar to LD 1647, carried over to this session, which would charge high-income individuals a tax equalization assessment to ensure they pay the average effective tax rate in the state. This is nothing more than another attempt to tax the rich by claiming they do not pay their fair share. The bill sponsor’s leadership PAC called our current tax bracket inequitable because individuals who make $50,750 are in the same bracket as someone who earns millions.[[2]](#footnote-1) However, there are only 1,400 people, or 0.2 percent of filers, who earn more than $1 million in Maine. Additionally there are less than 18,000 people, or 2.7 percent of filers, who earn more than $200,000 annually in Maine.

Further, the average millionaire in Maine pays $153,725 under our current tax scheme whereas someone who earns between $50,000 and $75,000 pays nearly $2,000 annually. The only thing inequitable about this scenario is that we’re taxing individuals’ labor in the first place.

Instead of pitting Mainers against one another based on their earnings, the state ought to reduce or eliminate the income tax for everyone. Additionally, “fair” and “equitable” are subjective terms — what seems fair to some Mainers might be unfair to others. This commission could not possibly devise a plan that is fair and equitable for all Mainers. For those reasons, The Maine Heritage Policy Center urges the committee to vote, “Ought Not to Pass” on LD 1929. Thank you.

1. <https://www.themainewire.com/2019/04/now-is-the-time-to-reduce-maines-tax-burden/> [↑](#footnote-ref-0)
2. <https://ryanfecteau.com/tax-fairness> [↑](#footnote-ref-1)