The Maine Heritage Policy Center
Testimony in Opposition to LD 518
"An Act To Change the Exclusion Amount under the
Estate Tax"

Senator Chipman, Representative Tipping, and members of the Committee on Taxation, my
name is Adam Crepeau and I serve as the policy analyst at The Maine Heritage Policy Center.
Thank you for the opportunity to speak in opposition to LD 518.

The Maine Heritage Policy Center would like to see the estate tax completely eliminated from
state statute. LD 518 would bring the state backwards by changing the exclusion in which the
estate tax does not apply from $5.6 million to $1 million for estates of decedents dying on or
after January 1, 2020. After the death of a loved one, a family is sometimes forced to either sell
their business altogether or reduce capital equipment to pay the estate tax liability, oftentimes
resulting in the loss of private sector jobs. In the case of land, this bill would increase the
likelihood of family members having to sell all or parts of the land passed down to them to pay
the liability that would be incurred. This change could be detrimental to the State of Maine.

As of 2017, fourteen states and the District of
Columbia had an estate tax in place.¹ The estate
tax in general is a disincentive for individuals to
move to Maine, especially since most other states
have nixed the estate tax. Decreasing the amount
exempted will further discourage in-migration by
high earners and business owners, preventing the
state from collecting other taxes during their
lifetimes. While the state does not have this
revenue yet, we could be missing an opportunity to
attract it to Maine.

Further, by decreasing the exclusion amount, this
bill would encourage individuals and families to
move out-of-state because they do not want to be subject to higher taxes. A 2015 report by The
Heritage Foundation noted that individuals whose estates are likely going to be “partially

¹ https://taxfoundation.org/state-inheritance-estate-taxes-economic-implications/
confiscated” at death are moving to other states to avoid the burden. An example of this is Rhode Island, which “collected $341.3 million from the estate tax while it lost $540 million in other taxes due to out-migration.” In addition, a study from the National Bureau of Economic Research asserts that “the number of federal estate tax return filers reported as residing in each state is negatively influenced by the level of taxes imposed on high-income and high-wealth people in that state.” If this bill is passed, it will likely result in out-migration in the State of Maine.

It is clear that expanding who is affected by the estate tax could result in losses in revenue over time due to out-migration, as well as creating an unattractive environment for individuals who might want to migrate to Maine. For those reasons, The Maine Heritage Policy Center strongly opposes LD 518, but would support a repeal or decrease of the estate tax. Thank you.