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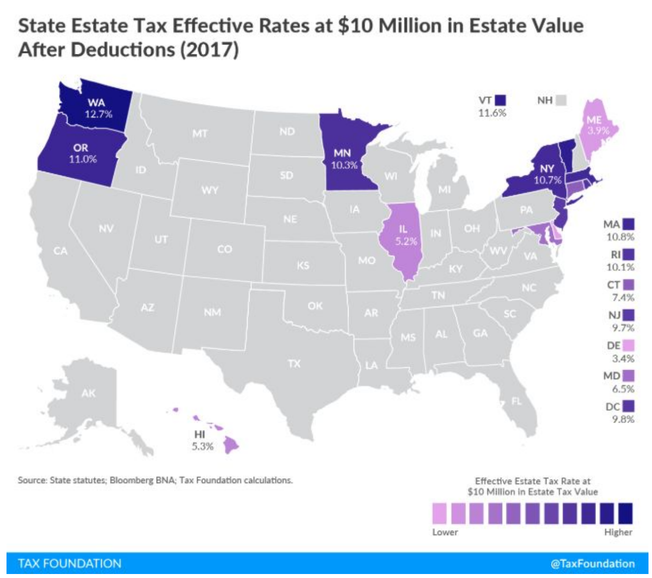
THE MAINE HERITAGE POLICY CENTER

# 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

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[1] https://taxfoundation.org/state-inheritance-estate-taxes-economic-implications/

confiscated" at death are moving to other states to avoid the burden.[2] 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."[3] 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.

[2] https://www.heritage.org/taxes/report/state-death-tax-killer
[3] http://rifreedom.org/wp-content/uploads/OSPRI_LeavingRI_FINAL.pdf