

**The Maine Heritage Policy Center  
Testimony In Support of LD 741  
“An Act To Return Surplus Money to Maine  
Taxpayers”**

Senator Breen, Representative Gattine, and members of the Committee on Appropriations and Financial Affairs, my name is Adam Crepeau and I serve as a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to submit testimony in support of LD 741.

Maine’s government is flush with cash, but most taxpayers probably haven’t noticed. Legislators are already salivating over ways to spend our \$124 million budget surplus instead of seizing this opportunity to return this money to the taxpayers from whom it was taken.

Too often, revenue surpluses are viewed as opportunities to expand government, enact pet-projects, and fund low-priority programs. But surpluses aren’t pots of money politicians stumble upon haphazardly -- they’re the direct consequence of collecting more in taxes than the government needs to fulfill its obligations. Every dollar in surplus was taken from a Maine resident who could have used it to pay for groceries, gas, or college.

Mainers are in a better position to spend their money than government, and economic research shows that the growth in public spending is offset by a decline in private activity.<sup>1</sup> By returning 75 percent of revenue surpluses back to Mainers and stashing 25 percent away in the Rainy Day Fund to avoid tax increases during future downturns, this proposal recognizes that the private sector is the engine of our economy.

Nor is this a unique idea. Many states, faced with large budget surpluses, are planning to send much of it back to taxpayers, as well as bolster their emergency funds.<sup>2</sup> Thanks to a large surplus, for example, Arkansas recently reduced its income tax rate from 6.9 percent to 5.9 percent.<sup>3</sup> Lawmakers in South Carolina, Wisconsin, and Florida are planning to use part of their budget surpluses to give their residents tax relief as well.

For too long, Mainers have listened to bold promises by politicians in Augusta, only to see more of their money collected in taxes in return for few tangible benefits. Returning surplus revenues

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<sup>1</sup> [https://econweb.ucsd.edu/~vramey/research/NBER\\_Fiscal.pdf](https://econweb.ucsd.edu/~vramey/research/NBER_Fiscal.pdf)

<sup>2</sup> [https://www.wsj.com/articles/some-states-flush-with-cash-are-sending-money-to-taxpayers-11551349801?mod=hp\\_lead\\_pos3](https://www.wsj.com/articles/some-states-flush-with-cash-are-sending-money-to-taxpayers-11551349801?mod=hp_lead_pos3)

<sup>3</sup> <https://www.magnoliabannernews.com/news/2019/feb/19/governor-signs-arkansas-tax-cut-law-top-rate-goes/>

to the people would send a strong signal that policymakers take state spending seriously and are mindful of the hardships caused by Maine's high tax burden.

Maine state government has grown much faster than the incomes of those who work hard to fund it. In the last two decades, annual state expenditures have more than doubled in nominal terms, but median household incomes have increased by a mere 58 percent.<sup>4</sup> It is too much to ask to return excess state revenues to the pockets of those who work hard to support the government's operations?

Thank you.

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<sup>4</sup> <https://fred.stlouisfed.org/series/MEHOINUSMEA646N>