

Testimony Regarding Income Tax Bills Before the Committee on Taxation March 23, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy. I am here today to testify:

- in **support** of LD 667, An Act to Impose a Tax Surcharge on Certain Incomes, sponsored by Rep. Benjamin Collings
- in **support** of LD 843, An Act to Improve Income Tax Progressivity by Establishing a New Top Individual Income Tax Rate, sponsored by Rep. Laurie Osher
- in **opposition** to LD 835, An Act to Phase Out the Income Tax, sponsored by Rep. David Boyer
- in **opposition** to LD 971, An Act to Establish the Income Tax Relief Fund for Maine Residents, sponsored by Rep. Micky Carmichael

Income taxes allow the state to provide important programs and services that Mainers depend on, including education, health care, and infrastructure. The income tax is also the fairest way to raise revenue to pay for the things we all need because those with greater ability to pay are responsible for paying more. The income tax also helps to balance out the sales and property tax which asks more of those with the least ability to pay. Both Rep. Osher and Rep. Collings' bills would help make our income tax structure fairer by increasing the share of income taxes paid by those with the ability to pay.

Rep. Collings' bill would create a surcharge of 3 percent on income over \$1 million and 6 percent on income over \$10 million, putting the funds toward k-12 education and rural economic development. According to analysis we obtained from the Institute on Taxation and Education Policy, this would increase taxes for the top .2 percent of income earners in Maine, those with more than \$1 million in income, by an average of about \$60,000. ITEP estimated this surcharge would bring in an additional \$99 million in revenue each year.

Rep. Osher's bill would create a new top income tax rate of 11.15 percent on income over \$125,000 for individuals and \$250,000 for married couples. This new rate raises the existing top tax rate by 4 percentage points, up from 7.15 percent.

Rep. Boyer's bill would phase out the individual and corporate income tax over a period of 5 years, beginning in 2024, decreasing taxes by 20 percent each year, and requires the state budget to be reduced by an equivalent amount to this tax loss. This would cause a huge general fund loss, cutting available revenue approximately in half. In 2024 and 2025, state individual and corporate income tax revenue is estimated to total over \$5.6 billion (December

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2022 Revenue Forecast). This loss of this tax revenue would be devastating to Maine's ability to pay for priorities like funding 55 percent of education, municipal revenue sharing, and MaineCare expansion.

I am also sharing testimony on Rep. Carmichael's bill from my colleague Josie Phillips. This bill would automatically put revenue that exceeds the funding cap into a new fund to lower income tax rates, using one-time revenues to make permanent cuts to state revenues. Under current Maine law, if there is revenue over the funding cap it would go into the stabilization fund and the highway fund. This bill would divert valuable funds from state programs. A similar law in Colorado has had devastating impacts on the state's ability to fund services and education.ⁱ

Maine has huge unmet needs for affordable housing, opioid treatment, behavioral health services, and the list goes on. Cutting income taxes will harm the well-being of Maine's people and the ability to address these crises and fulfill the commitments the legislature has made to the people of Maine. Cutting or eliminating income taxes would shift more taxes to Mainers with lower incomes and homeowners. Further, past income tax cuts in Maine have not led to the economic impacts and growth that were hoped for. Following income tax cuts under the LePage administration, Maine had slower growth in private sector GDP and slower private sector job growth than the US as a whole.ⁱⁱ

Conversely, raising top income tax rates will allow us to fund important needs and priorities. Under our current tax code, millionaires pay the same income tax rates as middle-class families. We urge you to make Maine's tax code fairer by increasing taxes on top earners and rejecting proposals to remove or decrease income taxes on individuals and corporations.

Thank you for your time. I would be happy to answer any questions.
Contact information: maura@mecep.org

ⁱ Lav, Iris J. and Erica Williams. "A Formula for Decline: Lessons from Colorado for States Considering TABOR." Center on Budget and Policy Priorities. 15 March 2010.

ⁱⁱ Center on Budget and Policy Priorities. *Big Cuts in State Income Taxes Not Yielding Promised Benefits*. 18 Feb 2021; and Maine Center for Economic Policy, "State tax and budget cuts don't boost economic activity and can cause harm." 18 Aug 2020.