

# NICKERSON & O'DAY, INC.

*Constructors - Since 1952*

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Testimony by Karl Ward, AIC, CPC, LEED AP  
In support of LD 337, LD 571, LD 851, LD 291  
Presented to the Joint Standing Committee on Taxation  
March 20, 2017

Mr. Chairman, and members of the Joint Standing Committee on Taxation. My name is Karl Ward and while I also serve on this committee and as Representative for Maine House District 131, I am here speaking as a business owner here in the state of Maine. I am President of Nickerson and O'Day constructors based in Bangor.

I am here to testify in favor of any and all bills that will repeal the economic disaster known as Question 2, which penalizes successful businesses and individuals making between \$200,000 and \$1 million with the highest state income tax rate in the nation and for incomes over \$1M, the second highest.

I am a native Mainer and except for when I was putting my wife through graduate school in California to become a doctor 25 years ago, I have always lived here. While at the University of Maine I studied civil and construction engineering and graduated at the top of our 380 person class.

My wife practices optometry in Brewer in the building that, after 25 years of dreaming, we built. A \$1.5 million risk. I began to purchase Nickerson & O'Day nearly 17 years ago. In doing so, I collateralized everything that I had ever built up - my house, my wife's business, our retirements and college funds and of course all of the assets of the company itself.

Since then, with significant additional investment, we have grown this company to become one of the largest building constructors in the entire state. Along the way, we have built beautiful buildings, but more importantly, created literally hundreds and hundreds of construction jobs.

And I did things the right way. I eliminated over \$1 million in debt. I worked my hardest to grow our employees both personally and professionally. We have generous pay and benefit programs. When the recession hit, I refused to lay off a single salaried person, losing hundreds of thousands of dollars when the work ran out. I'm happy to say that we are much busier now than then.

And we have focused our charitable giving on our next generation and our education system and institutions. We have walked the talk.

I did these things because I believed in the future of the state of Maine. Maybe it was because that was all I had ever known, but I always believed that in the end, we could be successful if we worked hard enough. But now, that faith has been shaken to its very foundation.

Now, I am known by the proponents of Question 2 as "the 2%". The tiny minority of folks were foolish enough to risk everything and invest for a brighter future for themselves and their family.

I think there is a misconception going on, that all you have to do is hang your shingle, go to debt, and work hard, and you will make it. But each year, far more new start up businesses fail than succeed. In fact, if you check with the Maine Revenue Service, I think you'll find that a majority of the S corporations in the state of Maine in the last record year, actually lost money.

This bill is a byproduct of a referendum process that is completely out of control, where significant out of state liberal resources and millions of dollars can be brought to bear to gather signatures, influence legislators and then produce a multimillion dollar

high-powered advertising campaign to mislead the Maine voter into making tragic decisions for the State of Maine....all without the deliberations of an elected legislature. This is why we have a representative republic rather than a pure majority-rule democracy....where 49 wolves and one sheep get together and decide what to have for dinner.

My District voted decidedly against this. And overall, the state approved this mess by a scant 0.8% margin. Hardly a mandate.

And now, businesses like mine, that has played by the rules, paid more than its fair share of taxes already, invested with faith in this state and its kids are getting a slap in the face. If this is allowed to become law, our business' tax rate will be going up by a gargantuan 42%. We are being punished for our success and we are telling the world that Maine is no longer open for business. Our economic and social decline, felt hardest in the northern tier counties, will now accelerate unless something is done. This takes us in the wrong direction.

As a result of this, we have shaken the confidence that businesses must have in order to be willing to come to or invest in a new territory. We have made it harder for us to pay our people properly. We have told doctors that they should not come here....which will make my wife's challenge of recruiting a buyer of her business upon her retirement more difficult than it already is. We know several physicians in the Bangor area that are already planning to leave the state. My college roommate, a 767 pilot for a major airline, is selling his house and moving to New Hampshire.

As for my business, I am currently estimating that over the next 5 years, this will cost us nearly \$300,000, not counting the untold lost opportunities caused by this. See this? This is a design for a planned expansion to our office....a \$400,000 investment that will add 3 full-time employees if built. Now, it's in the dumpster. I don't dare to do it in this anti-business climate.

I refuse to pass this punishment on to my loyal employees who have done nothing wrong. The recession already required belt-tightening. And if I refuse to cut their benefits or their healthcare or their pay or their jobs, there's a little else for me to cut except our generous charitable giving. Therefore I would like to read a letter that I've been sending out to the over 150 charities that we normally work with since December 1st of last year.

(See attached letter)

We have been doing this for forty years....overtaxing, over-regulating, discouraging economic growth...and where's it gotten us? Stagnant wages, declining population, massive exodus of our best and brightest for greener pastures and the oldest average age population in the nation. My two oldest kids have already left. Isn't it obvious that this doesn't work....you cannot tax your way into prosperity?

We can debate our school funding issues. But I implore the members of this committee and this legislature to find another way. Singling out the very people that we need to lead our economy and grow our businesses, sends the wrong message to those that would think about coming here and hurts those who have already risked so much to create the jobs we already have.

They say insanity is defined as "doing the same thing over and over again and expecting a different result.

It's time to stop repeating the disastrous mistakes of the past and return sanity to the State of Maine. It's time to repeal Question 2 and restore confidence in our economy.