



Testimony in Opposition to LD 1338, “An Act to Amend the Maine Exclusion Amount in the Estate Tax,” and LD 1866, “An Act to Establish 5 New Tax Brackets and a Surcharge for Higher Income Levels”

Senator Grohoski, Representative Perry, and the distinguished members of the Committee on Taxation, my name is Nick Murray and I serve as director of policy for Maine Policy Institute. We are a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify **in opposition to LD 1338 and LD 1866.**

After two-plus years of record inflation, the last thing Mainers need are higher taxes. These bills would force Mainers to fork over even more of their hard-earned income, either directly from their paychecks, or upon their death. These two forms of taxation, on income and death, may constitute the least moral forms of taxation our society has invented.

Income taxes are different from any other tax. When the state taxes your income, it steals the direct fruits of your labor; it steals your time. And, Maine taxes income earned up to \$100,000 more than any other state in New England. It's time to turn this ship around and begin to attract more middle-income and working-class people to live and build their futures here. LD 1866 would move our state in the opposite direction, and fast.

Taxes should only be levied on the same dollar once, if at all. It is not right for the government to tax your earnings before you even see them, then also tax you when you spend those earnings. Of course, it doesn't end there. The state also taxes your property after you've bought it, simply for owning it for another year, and the state taxes whatever you have left when you die. Our tax structure is far from fair.

LD 1338 would significantly contribute to Maine's already oppressive overall tax burden, currently the third-highest in the nation¹ It would lower the estate tax exclusion amount from \$5.6 million to \$2 million and provide for additional exclusions for property used in agriculture, aquaculture, and wood processing, plus a \$3.8 million exclusion amount for machinery and farmland inherited by family members who maintain use as farmland for at least 5 years.

¹ [2023 Tax Burden by State](#) | Wallet Hub

The bending-over-backwards by sponsors, session-after-session, to carve this bill around the very real concern of folks who may have to sell a family farm to pay the death tax, shows the absurdity of this entire exercise. The death tax is simply not fair. It is double (or triple) taxation.

Maine is one of only 12 states (plus D.C.) which levies any tax on wealth held at death.² Among those, Maine has a relatively high exclusion rate currently. This creates a discrepancy where elderly Americans are more likely to relocate before death in order to save their family from unwanted confiscation of inheritance from the government.

Tax flight is a real thing. A 2015 report by The Heritage Foundation noted that individuals whose estates are likely going to be “partially confiscated” at death are moving to other states to avoid the burden.³ The states which saw the greatest in-migration during and after the pandemic were the lowest-taxed states, whereas, the states which lost population (New York, California, Illinois), are among the highest-taxed.⁴ This is not a coincidence.

If a decedent owns land such as a family farm and cannot relocate before passing, they are subject to the whims of politicians greedy to take more of their citizens’ wealth. They could preemptively sell their property to liquidate it and make it easier to move out-of-state, but oftentimes only the rich have the financial wherewithal to accomplish this tax haven do-si-do.

The last thing Mainers need is higher taxes. Please **deem LD 1338 and LD 1866 “Ought Not To Pass”** and continue to reject these out-of-touch attempts by politicians to take more of Mainers’ hard-earned money. Thank you for your time and consideration.

² <https://taxfoundation.org/state-estate-tax-inheritance-tax-2022/>

³ <https://www.heritage.org/taxes/report/state-death-tax-killer>

⁴ <https://taxfoundation.org/state-population-change-2022/>