Manufacturers Association of **Maine**

27 February 2025

Senator Grohoski, Representative Cloutier, and honorable members of the Joint Standing Committee on Taxation, I am Mike Roughton, a resident of Standish and I serve as the Executive Director of the Manufacturers Association of Maine. I am before you today to offer this testimony in opposition to LD 229, "An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates".

The Manufacturers Association of Maine ("MAME") is a non-partisan 501(c)6 non-profit grounded in service to its membership, providing a network of resources designed to support the strategic business growth needs of Maine manufacturing entrepreneurs. Maine's manufacturing businesses are diverse, employing almost 60,000 individuals in military and defense, aerospace, metal fabrication, paper, boat building, semi-conductor, wood products, aquaculture and biotech, medical device, composites, and bioplastics, as well as the food and beverage industries. These businesses represent almost 10% of Maine's annual GDP and 14.5% of all the wages paid in the state on a weekly basis. MAME's mission is to help manufacturing grow and succeed and supports Maine's development of future manufacturing assets through a variety of programs.

MAME's advocacy efforts focus on four (4) key areas: workforce development, taxation, human resources/wage and hour and energy. Today, we are here to address tax issues, and the impact these proposals will have on our membership.

While MAME has a number of large corporate members, the bulk of our membership is made up of pass-through businesses or entities. In fact, the majority of US business falls into this category. As you are aware, pass-through businesses are not subject to the corporate income tax but instead report their income on the individual income tax returns of owners.

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The business does not pay taxes, the business owners do. That means that pass-through businesses pay individual income taxes, not corporate income taxes.

LD 229 aims to increase tax revenue by creating new tax brackets which would further put Maine at a competitive disadvantage compared to other states. For the period between 2010 and 2023, Maine ranked #44 for employment growth driven by foreign direct investment. Maine ranks #50 for new business formation per capita in 2023 (ahead of only West Virginia)[1].

Not only would this bill affect the entrepreneurs and their businesses that make up MAME's membership, but it has the potential to impact employees as well.

In 2016, when voters were considering the imposition of a 3% surcharge on incomes above $200,000, several businesses within our membership looked at relocating their operations to avoid the increased tax burden. LD 229, if passed, may illicit that same response. Additionally, at a time when Maine businesses are struggling to find workers in all job classifications, this proposal would discourage high earning employees from moving to Maine, or worse, may encourage those already living and working here to leave the state. Recruiting and hiring top talent becomes exceedingly more difficult when Maine companies compete against neighboring states like New Hampshire and Massachusetts, who have no income tax, or a tax at a fraction of the rate that Maine's would be.

Ultimately, a state is competitive to the extent that firms operating there can compete successfully in the national and global economy while maintaining and improving wages and living standards for the average citizen. The passage of LD 229 degrades the ability of Maine's manufacturing businesses to compete, and we therefore ask that you vote **ought not to pass**.

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[1] Source: "Maine Competitiveness Assessment," Porter Development Initiative, February 2025

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