

Good Afternoon Sen. Grohoski, Rep. Cloutier and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara, I am the Vice President of Advocacy for the Maine State Chamber of Commerce. We are testifying in strong opposition to L.D. 229, “An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates.”

This bill threatens to stifle Maine’s economy by increasing the top rates on high earners in the State. This bill would add three new income tax brackets, impose three new tax rates in those brackets. In addition, and most importantly the bill increases the income tax rates for the top of each bracket from 7.15% to 8.2% Increasing income taxes will impact jobs, investments, and will ultimately shrink, not grow Maine’s economy.

Maine already has one of the highest marginal income tax rates in the country, ranking the 10th highest according to the Tax Foundation. In addition, according to Wallethub, Maine ranks 4th in the country for the highest overall tax burden (property, individual income tax, sales and excise taxes) as a share of personal income. This bill catapults Maine’s rate even higher, effectively proposing even more taxes on Mainers, penalizing the success of individuals, entrepreneurs and small businesses across the state.

In addition to impacting high earners who are successful at their jobs, these proposals would no doubt hurt small businesses. According to the Small Business Administration (SBA) in Maine, of Maine businesses, 99.2% are small businesses. Maine small businesses are the backbone of Maine’s economy and many are established as LLC’s, partnership or S-Corps. In those instances, the income from the business flows through to the individual taxpayer (s), thus he or she is responsible for paying the income tax directly. So, income taxes, and the amount of income taxes paid are very important to the majority of businesses, especially small businesses, in Maine. Paying higher taxes would impact the amount a business owner chooses to reinvest in their businesses in terms of capital and personnel. Failure to reinvest can have a direct impact on growing the economy and job creation.

Over the years, reducing individual income taxes has been one of the top priorities for Maine’s business community. The Legislature has largely agreed, making significant strides over the years to reduce personal income taxes across the board for Maine people. Back in 2011, the Legislature lowered income tax rates, resulting in the elimination of income tax liability for approximately 70,000 Maine taxpayers. In fact, middle and low income Mainer’s benefitted significantly from this change. The proposal included a reduction in the top marginal income tax rate from 8.5% to 7.95%. Then again in 2015, the Legislature enacted legislation to further lower income tax rates including lowering that top rate yet again to 7.15% where it remains today.

In addition to driving high earners away, high personal incomes taxes have also always had an impact on businesses ability to recruit skilled workers from all over the country and the world. Member businesses tell us time and time again that high income taxes are definitely a consideration in the relocation of any new employee, and why wouldn’t they be. We often hear that executives and business owners make decisions to locate in a particular state based in part on their own income tax liability, and often avoid locating their businesses to states that have high income taxes.

According to the Tax Foundation, Internal Revenue Service data shows there is a direct correlation with interstate migration to lower tax states among taxpayers. The Tax Foundation reported that among taxpayers with AGI of \$200,000 or more, the most attractive destinations were Florida, Texas, North Carolina, South Carolina and Arizona while the least attractive were California, New Jersey, New York, Massachusetts and Illinois. One look at the top income tax rates in the least attractive states says it all.

In addition, taxpayers have always had a choice of where they live but the pandemic no doubt made that choice easier. During the global pandemic, the traditional workplace shifted to remote work. Even after the pandemic many folks still work from home. The pandemic has forever changed the way people think about where they live, and where they *can* work. They don't *have* to live in high taxed states. We should be doing all we can to make sure we keep taxpayers here and not encourage them to flee to lower tax states.

Keep Maine competitive, please vote ought not to pass on L.D. 229.