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Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation

February 27, 2025

In Opposition to LD 229, “An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates”

Senator Grohoski, Representative Cloutier, and distinguished members of the Joint Standing Committee on Taxation, my name is Nate Cloutier, and I am here today on behalf of HospitalityMaine, representing Maine’s first-rate restaurant and lodging industries. I am also testifying on behalf of the Maine Tourism Association (MTA). MTA has been promoting Maine and supporting members in every type of tourism business, such as lodging, restaurants, camps, campgrounds, retail, guides, tour operators, amusements, and historical and cultural attractions for over 100 years. HospitalityMaine and Maine Tourism Association oppose LD 229, “An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates.”

Beginning on or after January 1, 2026, LD 229 would change the current income tax brackets by increasing the threshold amount of income subject to the current rates of 5.8%, 6.75%, and 7.15%, and add three new income tax brackets of 7.52%, 7.15%, and 8.2%. These brackets would also be adjusted for inflation.

Maine already has one of the highest marginal income tax rates in the country, ranking 10th according to the Tax Foundation. When factoring in property, sales, and excise taxes, Maine’s overall tax burden is notably high. Increasing a portion of Maine’s income tax rate even further would exacerbate these challenges, making it more difficult for individuals and businesses to live and operate in the state.

Maine is proud to be a small-business state, with the Small Business Administration (SBA) reporting that 99.2% of Maine businesses are considered small. Many of these are structured as LLCs, S-corporations, or other pass-through entities where income flows directly to individual taxpayers. Higher income tax rates on these pass-through entities would force owners to divert funds away from personnel, capital investments, and overall business growth—negatively affecting jobs and economic development.

The committee should also consider the implications of raising the top tax bracket. In her veto message of LD 1231 (131st Legislature), Governor Mills expressed concern that increasing the top rate would create budget challenges by relying too heavily on a very small pool of taxpayers—those whose incomes are more volatile and often derived from capital gains or business income. This volatility can lead to greater revenue swings and pose difficulties in managing the state’s fiscal position, especially during economic downturns.

Given the state’s current challenge of balancing a budget shortfall, the changes proposed in this bill may unintentionally destabilize future revenue forecasts. Moreover, while well-intended, LD 229 would not provide substantial relief for low-income individuals due to Maine’s existing robust deductions, credits, and exemptions. Instead, it would further elevate an already high income tax rate, discouraging investment by both existing and prospective businesses.

For these reasons, we respectfully urge you to vote Ought Not to Pass on LD 229. Thank you for your time and consideration.