



Testimony in Support of LD 856: “An Act to Phase Out the Income Tax”

Senator Grohoski, Representative Cloutier, and the distinguished members of the Committee on Taxation, my name is Harris Van Pate, and I serve as policy analyst for Maine Policy Institute. Maine Policy is 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 support of LD 856, "An Act to Phase Out the Income Tax."

Maine’s income tax burdens workers, families, and businesses unnecessarily. LD 856 represents a bold step toward creating a more competitive, prosperous, and economically vibrant Maine by phasing out the income tax over five years. This policy will benefit all Mainers by increasing take-home pay, attracting investment, and making Maine a more attractive place to live, work, and retire.

Economic Benefits of Phasing Out the Income Tax

Maine’s current progressive income tax structure discourages work and economic growth. Studies have shown that states with low or no income taxes experience stronger economic performance, greater job creation, and higher population growth. Maine is currently at a competitive disadvantage compared to states like New Hampshire, Florida, and Texas, all of which levy no state income tax and experience in-migration and business growth.¹

By eliminating the income tax, Maine can:

- **Boost Economic Growth:** Increased disposable income means more spending in local economies, benefiting small businesses and entrepreneurs.
- **Attract New Residents and Businesses:** Eliminating the income tax will encourage young professionals, retirees, and job creators to choose Maine over states with higher tax burdens.
- **Encourage Workforce Participation:** Lowering the tax burden makes work more rewarding, encouraging more Mainers to enter and stay in the workforce.

Fiscal Responsibility and Budget Adjustments

Critics may argue that eliminating the income tax will create revenue shortfalls, but LD 856 takes a responsible approach by requiring proportional reductions in state

¹ <https://taxfoundation.org/data/all/state/taxes-affect-state-migration-trends-2023/>



department budgets. Maine policymakers should focus on streamlining government spending to prioritize essential services while reducing inefficiencies.

Many states with no income tax, such as Tennessee and Texas, successfully fund public services through sales and property taxes, fees, and more efficient budgeting.² Maine can achieve this by prioritizing spending reforms and increasing state revenues from other sources as the economy expands.

A More Competitive and Affordable Maine

Maine consistently ranks as one of the most heavily taxed states in the nation. The personal income tax discourages people from moving to, staying, or retiring in Maine. Eliminating this tax would immediately relieve hardworking Mainers and encourage long-term economic sustainability.

LD 856 is about tax relief and making Maine a better place to live. It is about creating an economy that rewards work, encourages investment, and ensures that Maine families keep more of their hard-earned money.

Conclusion

Phasing out the income tax over five years is a strategic and achievable policy that will result in a stronger economy, job creation, and a more competitive Maine. Maine must move away from high taxation and embrace pro-growth policies that reward workers, attract businesses, and support long-term prosperity.

For these reasons, we urge this committee to support LD 856 and take a decisive step toward a more competitive and economically free Maine. Thank you for your time and consideration.

² <https://turbotax.intuit.com/tax-tips/fun-facts/9-states-with-no-income-tax/c9RZgthD3>