



March 13, 2025

Testimony Neither For Nor Against

LD 856, An Act to Phase Out the Income Tax

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Senator Grohoski, Representative Cloutier, and Honorable Members of the Taxation Committee,

My name is Alexander Price, and I am here to testify neither for nor against LD 856 on behalf of the Maine Jobs Council, which is a statewide, nonpartisan, member-driven advocacy organization that advances public policies to support the creation and preservation of foundational jobs in Maine.

It is no secret that Maine is struggling to compete. Maine's economy is rated better than only eight other states. States with a lower economic ranking than Maine include Mississippi, Hawaii, West Virginia, Arkansas, and Louisiana. In addition, Maine has the second worst economic ranking among our New England peers. One reason for this poor economic ranking is that Maine has the 4th highest tax burden in the nation. This is a combination of high property tax, high income tax, and high sales and excise tax. In addition:

- Maine ranks #43 for business environment – U.S. News & World Report
- Maine ranks #42 for top states for business – CNBC
- Maine ranks #42 in personal income – U.S. Department of Commerce
- Maine ranks #41 for venture capital investment – National Venture Capital Association
- Maine ranks 4th highest for average residential electricity prices – U.S. Energy Information Administration
- Maine ranks 9th highest for per capita health care spending – Kaiser Family Foundation
- Maine ranks 10th highest for top income tax rate – Tax Foundation
- Maine has a stagnant population: We have an aging workforce, and young people are not moving to or staying in Maine.

The reason to highlight this data is to show the complex issues we have as a state. The Maine Jobs Council does not have all the answers to solving Maine's economic problems, and as such, we are not here today to say that phasing out the income tax is the solution. However, we do know that Maine needs to start taking a more comprehensive look at how taxes, workforce challenges, regulations, infrastructure, and other issues act as a barrier to job creation in our state. If Maine is not a competitive and productive place for businesses, workers, and families, its economic plans and efforts will falter.

As previously noted, Maine has the 4th highest overall tax burden and the 10th highest top income tax rate in the nation, which has created obstacles for businesses to thrive and families to get ahead. If we continue to burden our medium- to high-income taxpayers, it will only give them another reason to leave Maine or discourage more of them from coming here. While some people are moving here, Maine is not the only safe, rural state and individuals looking to relocate to Maine may look elsewhere because of our high tax burden. Instead, we should be focusing on policies that attract medium- to high-income earners by reducing our need for higher taxes by cutting the cost of government and making it considerably more efficient. Maine could be a destination state and that is the best way to grow the tax base.

Finally, we would like to note that a recent assessment of the competitiveness of Maine's statewide economy by the Porter Development Initiative (PDI) found that Maine is not attracting new employment at the same rates as other areas of the U.S. and that existing firms in Maine are not achieving the high levels of productivity that would support increasing wage levels for employees. PDI's research revealed that we are among the least productive states in the nation, despite high levels of labor force participation among working-age Mainers; we create fewer jobs, attract less investment, and start fewer businesses than most other states; our worker wages are low and contrast with higher cost burdens; and we lack many of the hallmarks of a competitive location for business. In order to address these issues, and make Maine more competitive nationally, we need to develop a comprehensive, integrated, and strategic plan that focuses legislation, regulation, and public policy on talent attraction, investment, and job creation.

The MJC thanks the committee for its time and consideration of this issue, and we would welcome any opportunity to discuss it with you.

Thank you,

Alexander Price, Pierce Atwood
On behalf of the Maine Jobs Council