

Anne M. Gallaudet  
Scarborough, Maine

March 25, 2025

Re: LD 1047, An Act to Impose an Additional Tax on Certain Unearned Income

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

I appreciate this opportunity to address you on this important matter. My name is Anne Gallaudet. I am a resident of Scarborough, Maine. I am writing in support of LD 1047.

This bill imposes an additional tax of 4% on income derived from capital gains in Maine based on filing status, but only to those capital gains exceeding \$250,000 for single or married filing separately taxpayers, \$375,000 for heads of household taxpayers or \$500,000 for those married filing jointly taxpayers. Currently, Maine taxes capital gains alongside all other forms of income at a rate no more than 7.25 percent.

Capital gains constitute unearned income – obtained by wealthier people from selling their investments in stocks or property. It is not earned income (income obtained by working). **Yet Maine currently taxes both sources of income similarly which is unfair.**

Mainers want a fair tax system – one which is much more progressive than we currently have. LD 1047 is one step towards making the Maine tax system a more progressive tax system.

The federal tax rates on capital gains are LOWER than taxes on earned income and even worse, some loopholes allow the wealthy to avoid paying the taxes on some of their capital gains. This results in capital gains becoming one of the **main drivers of income inequality**. Increasing state taxes on excessive capital gains would help make the tax code fairer.

This additional tax is only applied to the richest Maine taxpayers who achieve a substantial amount of capital gains and not on less wealthy Mainers who make some capital gains but not over \$250,000.

It is estimated that taxing unearned income of the wealthiest Maine taxpayers through LD 1047 would raise over \$100 million dollars. Maine has a budget shortfall that disproportionately hurts the most vulnerable in Maine. LD 1047 represents a start towards correcting our tax system with respect to higher income earners and helping substantially to increase needed Maine revenue that would go towards the public good, by supporting our public schools, infrastructure and childcare services.

Thank you for considering my appeal. I urge you to vote “Ought to Pass” on LD 1047.

Anne Gallaudet, Scarborough, ME