



## **Testimony in Opposition of LD 1089:**

**“An Act to Permanently Fund 55 Percent of the State's Share of Education by Establishing a Tax on Incomes of More than \$1,000,000”**

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 opposition to LD 1089, which would impose a new 4% surtax on income exceeding \$1 million in order to fund the state's 55% share of K-12 education costs.

While we support the goal of high-quality education for every Maine student, this proposal represents another attempt to increase Maine's already uncompetitive tax burden—this time on the individuals who invest in and build our economy. This approach will backfire on Maine's long-term fiscal and economic health, harming the very systems it seeks to fund.

### **High Taxes Drive Out Opportunity**

LD 1089 would raise Maine's top marginal income tax rate from 7.15% to 11.15% for income over \$1 million—the nation's second-highest state income tax rate, behind only California.<sup>1</sup> This would place Maine far out of step with neighboring New Hampshire, which imposes no income tax at all on wages, salaries, or capital gains.<sup>2</sup>

This will make Maine even less attractive to high earners, investors, entrepreneurs, and small business owners—the people we rely on to create jobs, fund philanthropic endeavors, and build our communities. Evidence shows that these taxpayers are highly mobile and will adjust their residence, income, and investment behavior to avoid such punitive rates.<sup>3</sup> Maine cannot afford to lose its job creators to more fiscally responsible states.

### **This Approach Repeats Past Mistakes**

LD 1089 closely mirrors the failed “Question 2” ballot initiative passed in 2016, which attempted to levy a similar 3% surtax on income above \$200,000 to fund education.<sup>4</sup>

<sup>1</sup>

<https://www.visualcapitalist.com/mapped-the-highest-marginal-income-tax-rate-for-each-u-s-state/#:~:text=California%20has%20the%20highest%20top,for%20incomes%20over%20%241%20million.>

<sup>2</sup> <https://www.theentrustgroup.com/blog/state-capital-gains-tax>

<sup>3</sup> <https://www.ft.com/content/1e4e4fb6-a0ee-4764-9197-e982c4c212a4>

<sup>4</sup> [https://ballotpedia.org/Maine\\_Tax\\_on\\_Incomes\\_Exceeding\\_\\$200,000\\_for\\_Public\\_Education,\\_Question\\_2\\_\(2016\)](https://ballotpedia.org/Maine_Tax_on_Incomes_Exceeding_$200,000_for_Public_Education,_Question_2_(2016))



Lawmakers rightly repealed that tax in 2017, recognizing the damage it would have done to the state's economy and reputation.

Attempting to revive this policy at an even higher income threshold—\$1 million—may seem politically palatable, but the economic damage is no less real. Millionaires are few in number but disproportionately responsible for capital investment and economic dynamism. Maine has already struggled historically with outmigration and sluggish job growth—this bill would only worsen those trends.

### **More Money ≠ Better Outcomes**

Advocates often claim that more education funding automatically leads to better student outcomes. Yet decades of data show that spending alone does not guarantee improved academic performance. Maine already spends over \$15,000 per student— and more than three thousand above the national average—yet achievement remains stagnant or declining in many areas.<sup>5 6</sup>

Instead of further burdening taxpayers, we should focus on reforming education delivery, improving accountability, and expanding school choice. Programs like education savings accounts (ESAs),<sup>7</sup> charter schools, and open enrollment<sup>8</sup> offer far greater returns on investment than simply pouring more money into the same broken bureaucratic system.

### **There Are Smarter Ways to Fund Education**

Maine Policy Institute supports a robust education system that gives every child the opportunity to succeed—but not at the cost of our state's economic future. Sustainable education funding should come from responsible budgeting and economic growth, not a targeted tax hike that drives investment out of state.

Rather than imposing new surcharges, policymakers should focus on:

- Reforming outdated funding formulas;
- Reducing administrative overhead;
- Empowering local decision-making; and
- Giving families more control through school choice.

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<sup>5</sup> <https://worldpopulationreview.com/state-rankings/per-pupil-spending-by-state>

<sup>6</sup> <https://mainepolicy.org/research/the-decline-of-maine-k-12-education/>

<sup>7</sup> <https://tytonpartners.com/unlocking-education-the-rise-of-education-savings-accounts-esas/>

<sup>8</sup> <https://readlion.com/study-open-enrollment-benefits-students-but-state-policies-arent-robust-enough/>



These reforms will stretch every education dollar further while protecting Maine's economic competitiveness.

## **Conclusion**

LD 1089 is the wrong solution at the wrong time. It sends a damaging message that Maine intends to punish financial success and economic leadership. This bill would push high-income earners and small business owners to consider more welcoming tax climates, shrinking our economic base and undermining long-term revenue stability.

For these reasons, we strongly urge the committee to vote "Ought Not to Pass" on LD 1089. Let's work toward a Maine that attracts opportunity, not one that drives it away. Thank you for your time and consideration.