

Manufacturers Association of **Maine**

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19 March 2025

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Senator Grohoski, Representative Cloutier, and honorable members of the Joint Standing Committee on Taxation, I am Mike Roughton, a resident of Standish and I serve as the Executive Director of the Manufacturers Association of Maine. I am before you today to offer this testimony in opposition to LD 1047, “An Act to Impose an Additional Tax on Certain Unearned Income”.

The Manufacturers Association of Maine (“MAME”) is a non-partisan 501(c)6 non-profit grounded in service to its membership, providing a network of resources designed to support the strategic business growth needs of Maine manufacturing entrepreneurs. Maine’s manufacturing businesses are diverse, employing almost 60,000 individuals in military and defense, aerospace, metal fabrication, paper, boat building, semi-conductor, wood products, aquaculture and biotech, medical device, composites, and bioplastics, as well as the food and beverage industries. These businesses represent almost 10% of Maine’s annual GDP and 10.4% of all the wages paid in the state on a weekly basis. MAME’s mission is to help manufacturing grow and succeed and supports Maine’s development of future manufacturing assets through a variety of programs.

MAME’s advocacy efforts focus on four (4) key areas: workforce development, taxation, human resources/wage and hour and energy. Today, we are here to address tax issues, and the impact these proposals will have on our membership.

LD 1047 aims to increase tax revenue by imposing an additional tax of 4% on capital gains above \$250,000, \$375,000 or \$500,000 (depending on filing status), which would further put Maine at a competitive disadvantage compared to other states. For the period between 2010 and 2023, Maine ranked #44 for employment growth driven by foreign direct investment. Maine ranks #50 for new business formation per capita in 2023 (ahead of only West



Virginia)¹. Not only would this bill affect the entrepreneurs and their businesses that make up MAME's membership, but it has the potential to impact employees as well, as the additional tax burden will be one more log on the proverbial burning fire that will cause the business owner to make a decision to move the business out of state.

In 2016, when voters were considering the imposition of a 3% surcharge on incomes above \$200,000, several businesses within our membership looked at relocating their operations to avoid the increased tax burden. LD 1047, if passed, may illicit that same response. Additionally, this proposal would discourage high earning employees from moving to Maine, or worse, may encourage those already living and working here to leave the state. When top talent compares living in Maine against neighboring states like New Hampshire and Massachusetts, who have no income tax, or a tax at a fraction of the rate that Maine's would be, their decision becomes very easy.

Ultimately, a state is competitive to the extent that firms operating there can compete successfully in the regional, national and global economies while maintaining and improving wages and living standards for the average citizen. The passage of LD 1047 degrades the ability of Maine's manufacturing businesses and their entrepreneurial owners to compete, and we therefore ask that you vote **ought not to pass**.

¹ Source: "Maine Competitiveness Assessment," Porter Development Initiative, February 2025

