



Testimony in Support of LD 1622:

“An Act to Exempt Certain Income from State 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 submit testimony in support of LD 1622. LD 1622 is a commonsense, pro-growth reform that will reduce the burden of state income taxation on hardworking Mainers and retirees alike. Specifically, this bill proposes to exempt three key income categories from state taxation: pension income, tip income, and overtime wages. These changes reflect both fiscal prudence and economic opportunity.

1. Eliminating the Tax on Pensions

Maine's aging population includes thousands of retirees living on fixed incomes. Taxing pension benefits effectively penalizes those who have saved responsibly for retirement. By fully exempting this income, LD 1622 would improve financial security for seniors and make Maine a more attractive state to live in. As other states like New Hampshire and Florida have shown, eliminating income taxes on retirement (or overall) can boost in-migration and consumer spending without undermining fiscal sustainability.

2. Exempting Overtime Wages: Rewarding Work

The overtime income provision recognizes the value of hard work and compensates those who go above and beyond their standard hours. At a time when inflation continues to squeeze working families and employers struggle to fill roles, allowing workers to keep more of what they earn for extra hours makes economic sense.

3. Exempting Tips: Supporting Service Industry Workers

Tip income is one of the most unstable and variable earnings, often earned by some of the lowest-paid workers in our economy—servers, delivery drivers, and hotel staff. Taxing tips adds an unnecessary and unfair burden to these individuals, many of whom already struggle to make ends meet. Exempting this income would provide immediate financial relief and support Maine's service sectors.

We urge this committee to consider the long-term benefits of reducing income tax burdens—not only as a tool of fiscal reform but also as a magnet for labor force growth, economic development, and individual empowerment. Maine must not continue to be an outlier in punishing productivity, savings, and service. For these reasons, we respectfully urge the committee to vote “Ought to Pass” on LD 1622. Thank you for your time and consideration.