



### **Testimony in Opposition to LD 1617:**

**“An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses”**

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, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in opposition to LD 1617, “An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses.”

This bill would lower the estate tax exclusion amount from \$5.6 million to \$1 million for decedents dying on or after January 1, 2026. While it does create an additional exclusion for certain agricultural and natural resource-based assets passed to family members, this carve-out does little to mitigate the broader harm this policy would inflict on small businesses and family-owned enterprises across Maine. Therefore, Maine Policy Institute opposes this bill for many reasons.

### **It Disincentivizes Economic Growth and Entrepreneurship**

Reducing the estate tax exclusion from \$5.6 million to \$1 million threatens to capture a large swath of Maine’s family-owned businesses and moderately successful estates, not just the wealthy elite. This effectively penalizes successful Mainers who have spent a lifetime building and reinvesting in their businesses, farms, or properties. Many’s wealth is illiquid, locked up in land, buildings, and equipment. A lower exclusion increases the likelihood that heirs will be forced to sell off assets or shutter businesses entirely to pay the tax bill.

### **It Harms Maine’s Competitiveness**

Only twelve states and the District of Columbia still impose an estate tax, and Maine’s current \$5.6 million exemption is already less generous than many of our peers, such as Connecticut or New York.<sup>1</sup> Lowering the threshold to \$1 million would give Maine one of the harshest estate tax regimes in the country. Thirty-eight states, including Florida and New Hampshire, impose no estate or inheritance tax, making them more attractive destinations for retirees and business owners. Enacting this change would accelerate capital flight, reduce investment in Maine’s economy, and discourage future job creation.

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<sup>1</sup> <https://taxfoundation.org/data/all/state/estate-inheritance-taxes/>



## **It Complicates the Tax Code and Picks Winners and Losers**

While LD 1617 includes a carve-out for family-owned farms, aquaculture, fishing, and wood harvesting businesses, this special exemption is a tacit admission that the bill would otherwise devastate these industries. Unfortunately, the relief offered is narrow and conditional: beneficiaries must meet complex reporting requirements and maintain continuous use for five years. This introduces legal uncertainty, administrative burden, and compliance costs that may be out of reach for smaller operations. Meanwhile, other family-owned businesses, such as local manufacturers, inns, or construction firms, are left without any relief.

## **The Estate Tax is a Fiscally Inefficient and Economically Harmful Revenue Tool**

Nationally, estate taxes generate less than 1% of state revenues, yet the compliance costs, avoidance strategies, and distortionary effects far exceed the net benefit. In Maine, the tax raises a relatively small amount of revenue while exerting an outsized negative influence on economic behavior. By encouraging residents to move their domiciles out of state or divest their assets prematurely, the tax reduces the long-term growth of Maine's economy and tax base.

## **Conclusion**

LD 1617 is a step in the wrong direction. Rather than making Maine more economically competitive and business-friendly, it conveys that successful entrepreneurs and family business owners are not welcome. The estate tax punishes hard work, prudent investment, and the desire to leave a legacy for future generations.

Maine Policy Institute strongly urges this committee to reject LD 1617 and instead consider policies that eliminate the estate tax, following the example of many pro-growth states.

Thank you for your time and consideration.