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To: Sen. Nicole Grohoski and Rep. Kristen Cloutier, co-chairs
Members, Committee on Taxation

From: David R. Clough, Maine State Director

Re: 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 statement in **opposition** to LD 1617 is made on behalf of the thousands of small business owners in Maine who are members of the National Federation of Independent Business (NFIB). Member businesses collectively span a wide range of economic activities; provide jobs and paychecks to about 30,000 families; and help form the economic backbone of hundreds of communities and the State.

LD 1617 sharply reduces the Maine estate tax exclusion from its current amount of \$6,000,000 (2025) to \$1,000,000 for estates generally. LD 1617 sharply reduces the exclusion to \$3,800,000 for estates that qualify as family farms, aquaculture, fishing, and wood harvesting businesses.

NFIB members have had long-standing interest in the Maine estate tax and would prefer to see it eliminated. However, LD 1617 goes in a direction to penalize hard-working and successful small business owners – unless they are engaged in the handful of natural resource businesses entitled to an extra exclusion – and penalize the attraction of wealth to Maine that creates significant positive benefit potential for local businesses, communities, and the Maine economy.

As stated in Tax Foundation article posted November 12, 2024:

“Estate and inheritance taxes are burdensome. They disincentivize investment and can drive high-net-worth individuals out of state. They also yield estate planning and tax avoidance strategies that are inefficient, not only for affected taxpayers but also for the economy at large. The handful of states that still impose them should consider gradually eliminating them or at least conforming to federal exemption levels.”

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

LD 1617 would make Maine stand out as one of the most unfriendly states toward estates.

EXCLUSION	STATE (12)	INHERITANCE	NEITHER (33)		
\$ 13,600,000	Connecticut	Iowa	Alabama	Louisiana	South Carolina
\$ 6,940,000	New York	Kentucky	Alaska	Michigan	South Dakota
\$ 6,800,000	Maine	Maryland	Arizona	Mississippi	Tennessee
\$ 5,490,000	Hawaii	Nebraska	Arkansas	Missouri	Texas
\$ 5,000,000	Maryland	New Jersey	California	Montana	Utah
\$ 5,000,000	Vermont	Pennsylvania	Colorado	Nevada	Virginia
\$ 4,000,000	Illinois		Delaware	New Hampshire	West Virginia
\$ 3,000,000	Minnesota		Florida	New Mexico	Wisconsin
\$ 2,193,000	Washington		Georgia	North Carolina	Wyoming
\$ 2,000,000	Massachusetts		Idaho	North Dakota	
\$ 1,774,583	Rhode Island		Indiana	Ohio	
\$ 1,000,000	Oregon		Kansas	Oklahoma	

Source: Tax Foundation, “Estate and Inheritance Taxes by State, 2024” (November 12, 2024)
[Estate and Inheritance Taxes by State, 2024](#)

We believe there are practical and competitive reasons for supporting the reduction or elimination of the estate tax in Maine.

As Committee members know, one of the most significant economic challenges facing Maine is a lack of wealth. We need to be attracting wealth. Wealth that may be deposited into Maine banks and available for consumer and business loans. Wealth that may be invested in startups and growing small businesses. Wealth that may be used in supporting Maine charities, underwriting capital campaigns of nonprofits, and supporting the arts and humanities.

Maine and New Hampshire have nearly the same number of residents yet according to the Internal Revenue Service “Statistics of Income” report for tax year 2022:

<u>All Tax Returns</u>	<u>AGI \$1,000,000 or more</u>	
710,860	1,970	Maine
731,910	3,640	New Hampshire

New Hampshire attracts wealth that Maine does not; arguably, Maine repels wealthy.
www.irs.gov/statistics/soi-tax-stats-historic-table-2

Thank you for considering the interests of mainstream small business owners. We urge Ought Not to Pass on LD 1617.