



### **Testimony in Support of LD 714:**

**“An Act to Prevent State Income Tax from Being Collected on Money Stolen from Victims of Scams ”**

Senator Grohoski, Representative Sayre, and distinguished members of the Joint Standing Committee on Taxation, my name is Montana Towers, 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 submit testimony in support of LD 714, “An Act to Prevent State Income Tax from Being Collected on Money Stolen from Victims of Scams.”

This bill mirrors the federal theft-loss deduction available under federal law and makes it so that Maine taxpayers who claim a legitimate scam-related loss at the federal level will no longer face state income tax on the same stolen funds. This common sense conformity delivers immediate relief to victims already reeling from financial harm and prevents the state from effectively taxing money that victims no longer possess.

#### **A Welcome but Incomplete Step**

While MPI supports broader tax conformity overall, adopting the federal scam-loss deduction is especially valuable because it directly protects vulnerable Mainers, often seniors or working families, who have already suffered devastating financial harm through no fault of their own. Without this change, the state would compound the injury by taxing phantom income that victims no longer possess, effectively turning a crime into an extra tax bill.

While we applaud this bill for closing a narrow but painful gap in current law, it also illustrates the deeper problem that Maine’s tax code remains only partially conformed to federal provisions. Because Maine has not adopted full conformity with the federal tax code, state lawmakers are forced to chase behind every federal change with one-off bills like this one. The result is complexity, uncertainty, and higher compliance costs for everyday Mainers. A small, single issue solution, no matter how well intentioned, cannot substitute for systematic alignment.

#### **The Need for More Tax Conformity**

Full conformity with the federal tax code is therefore the best way forward. Conforming would simplify compliance, reduce administrative burdens, and create a more stable and predictable tax environment for Maine taxpayers. When state tax policy diverges significantly from federal law, individuals and businesses are forced to navigate two



separate systems, increasing paperwork, confusion, and the likelihood of costly filing errors. These unnecessary complications place a disproportionate burden on small businesses and working families who often lack the time and resources to manage complex tax requirements.

Bringing Maine's tax code into closer alignment with the federal code would streamline the filing process, reduce compliance costs, and improve transparency for taxpayers. A simpler and more consistent tax structure allows businesses to spend less time dealing with regulatory hurdles and more time investing, hiring, and expanding operations in Maine. At a time when our state must remain competitive with neighboring states for jobs, investment, and population growth, reducing unnecessary tax complexity is a commonsense reform.

Federal conformity does not mean relinquishing state control over tax policy. Rather, it represents a practical step toward a simpler, more efficient system that respects taxpayers' time and resources while promoting economic growth. By reducing duplication and aligning definitions and calculations with federal standards, Maine can make its tax code more accessible, predictable, and supportive of long-term economic prosperity.

For these reasons, Maine Policy Institute strongly urges this committee to vote "Ought to Pass" on LD 714. Thank you for your time and consideration.