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Maine Equal Justice

People Policy Solutions

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Testimony on Behalf of Maine Equal Justice *in support of* the taxation section of LD 258, An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025
February 8, 2023

Good morning Senator Rotundo, Senator Grohoski, Representative Sachs, Representative Perry, and members of the Appropriations and Financial Affairs and Taxation Committees. My name is Ann Danforth and I use she/her pronouns. I'm a Policy Advocate at Maine Equal Justice, a nonprofit legal aid provider working to increase economic security, opportunity, and equity for people in Maine.

Thank you for the opportunity to testify today in support of the tax-related portions of LD 258.

Families in Maine are struggling

Maine Equal Justice has seen first-hand that families across the state, and in particular, families with low income, are still suffering from the economic impacts of the pandemic. According to the most recent Census data, more than 1 in 10 (11.5%) Mainers were in poverty in 2021¹ – that is, a family of four living below \$27,479 annually.² That's a little over \$500 a week.

Record high inflation coupled with high energy costs, a pre-existing and worsening housing crisis, rising food costs coupled with the imminent loss of SNAP emergency allotments, and the upcoming unwinding of continuous enrollment for MaineCare members are huge factors stretching Maine families and their budgets.^{3 4}

State relief measures can help address unmet needs

Relief provided by the federal and state governments over the past years delivered through the tax system – including the Child Tax Credit payments, the state \$850 and \$450 relief payments – have shown us the positive impact of targeted, direct relief to Mainers. As Maine Equal Justice has worked with partners to ensure families across the state receive their federal Child Tax Credit and state relief

¹ <https://data.census.gov/table?q=poverty+maine&tid=ACSSST1Y2021.S1701>

² <https://www.census.gov/content/dam/Census/library/publications/2022/demo/p60-277.pdf>

³ <https://www.newscentermaine.com/article/money/business/maine-daily-cost-of-inflation-gas-stations-coffee-shops-grocery-stores-greenhouses-during-covid19-pandemic-ukraine-war/97-d2e93f51-49b7-4d50-b4e2-8c2bf0b2677b>

⁴ <https://www.mainepublic.org/business-and-economy/2022-11-29/maine-heating-oil-prices-dip-from-record-highs>

payments, we have heard many stories about how these direct payments have helped struggling families stay on their feet.

With the expiration of the enhanced federal Child Tax Credit (or CTC), Maine has an opportunity to improve our own state CTC through legislation this session – LR 1661, An Act to Improve Economic Security for Maine Children by Establishing the Maine Child Tax Credit (Rep. Terry). As this committee makes decisions about tax provisions in the budget, we encourage you to consider the CTC and the ways it would **reduce child poverty; strengthen our current and future workforce; and boost our economy, reaping a high return on investment for the state.** Data on the CTC highlight the positive impacts of this smart, targeted policy that will help meet some of the unmet needs of low-income Mainers:

- The 2021 expanded federal CTC cut **Maine's child poverty rate nearly in half** while it was in effect.
- Investing in children in low-income families by expanding programs like the Child Tax Credit has been shown to improve outcomes for those children over their whole lives, including **higher educational attainment, better health, and higher earnings** as adults.⁵ The expanded federal CTC has an estimated **1,000% return on investment per year (roughly \$10 for each dollar spent)**, pointing to the **downstream benefits of investing in children through the CTC.**⁶
- **The CTC allows people to afford things like child care so they can work, take care of their family, and do their part to keep growing our economy.**
- Families used the CTC payments to **cover basic expenses**, such as food, utilities, rent, and diapers.⁷ The CTC helps ease the burden of **inflation, wage stagnation and rising housing costs**, which are limiting families' abilities to pay for these basic necessities.

A state-level CTC would build on the proven effective federal policy, providing benefits to our economy and targeted ongoing relief to Maine families of low and moderate incomes. It would further Maine's economic goals while investing in and helping to bring families with young children to the state.

A targeted CTC is a smart and equitable investment in Maine's future. We urge you to focus on targeted solutions like the CTC rather than an across-the-board tax cut. We also recognize that there will be discussion around the Property Tax Stabilization Fund. While we are not prepared to speak today to the best path forward for that program, we do believe there are ways to better target property tax relief to the households who most need it. Targeted tax credits can reduce rather than exacerbate income inequities in our state.

Conclusion

We appreciate the opportunity to submit testimony on LD 258. I look forward to talking with you in the coming weeks about our state-level CTC bill and how it would benefit our state's families and economy now and into the future.

⁵ <https://www.cbpp.org/blog/many-states-are-creating-or-expanding-tax-credits-to-help-families-afford-the-basics>

⁶ This is based on an analysis of making the enhanced federal CTC permanent and comparing the cost to generated social benefits: Researchers at the Center on Poverty and Social Policy at Columbia University predict that a permanently expanded credit would cost taxpayers \$97 billion per year but generate "social benefits" with a value of \$929 billion via future earnings and tax contributions, decreased infant mortality and other negative health outcomes, and reductions in child protection and law enforcement involvement.

<https://www.povertycenter.columbia.edu/news-internal/2021/child-allowance/cost-benefit-analysis>

⁷ <https://www.mecep.org/blog/mecep-report-shows-the-child-tax-credit-made-a-tangible-difference-for-maine-families/>