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May 4, 2023

Testimony of Rep. Maureen Terry presenting

LD 1544, An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit

Before the Joint Standing Committee on Taxation

Good afternoon Senator Grohoski, Representative Perry and esteemed members of the Taxation Committee. I am Maureen Terry, representing part of Gorham in House District 108. I am happy to be here to present **LD 1544, An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit.**

Having previously served as House chair of this committee, I know that the material you all cover can be dense and wonky. But I also know that the way we structure our tax code, and the decisions we make about where to raise revenue and where to offer credits makes a statement about our values.

In 2021, the federal government made a statement about our values as a country by expanding the federal child tax credit and making it fully refundable. No matter what party we register with or what communities we represent, we all believe in giving kids the best start possible.

Expanding the federal child tax credit did that for families across the country. Census data shows that child poverty dropped sharply last year, and that the expanded credit in combination with other relief efforts drove the child poverty rate to a record low of 5.2%.

In Maine, that expanded credit meant that child poverty was cut nearly in half. It meant that kids could get the resources they needed to be safer, better nourished and receive a better education, both now and into adulthood. It meant that more parents could enter the workforce and that families could meet basic needs like paying for groceries, clothing and child care. Economists

say the expanded federal child tax credit has an estimated 1,000% return on investment per year. That means roughly \$10 for each dollar spent.

But with the expiration of this credit, families who have depended upon it have again been thrown into poverty. So I believe it is time for Maine to stand up and make known what WE value.

We believe in supporting families, we believe in our children and we believe that setting kids up for success early on benefits us all.

LD 1544 would target effective relief where it is needed most. The closest thing Maine has to the federal child tax credit is called the dependent exemption tax credit. My bill would replace this existing dependent exemption credit with a new, fully refundable tax credit, and it would increase the amount to \$350 per child.

Making the credit refundable is a crucial change. Right now, families without an income tax liability – so almost all families living at or below the federal poverty level – aren't able to benefit from the credit. Increasing the refundable credit amount for all families will boost the impact of the program in reducing childhood poverty and improving families' ability to cover basic expenses.

This bill would mean that the credit would become available to so many more children whose families are currently locked out because their incomes are TOO LOW. Not being able to access a tax credit because you don't make enough money doesn't make any sense.

Creating a new child tax credit will provide direct relief to hard-working Maine families throughout our state. Currently, one in 10 Mainers are facing hunger, including one out of every six children. Providing families with this tax credit can help us lower rates of food insecurity, reduce child poverty and help more families pay their bills and make ends meet. According to some estimates, a state child tax credit would move roughly 3,500 kids out of poverty.

Taxes represent our shared investment in the common good, and the decisions we make with that revenue are an expression of what matters most to us. LD 1544 would loudly and clearly state that here in Maine, we value families and children, and we are committed to ensuring that all Maine families have what they need to be successful.

Thank you for the opportunity to present this incredibly important bill. I'm happy to take any questions you may have.