



*The voice of Maine business*

Good afternoon Sen Grohoski, Rep Perry, members of the Joint Standing Committee on Taxation My name is Linda Caprara, I am the Vice President of Advocacy for the Maine State Chamber of Commerce I am also a resident of Winthrop We are testifying in strong opposition to L D 1866, "An Act to Establish 5 New Tax Brackets and a Surcharge for Higher Income Levels "

This bill which is similar to other bills we have testified against earlier this year, threatens to stifle Maine's economy This bill would impose surcharges on high earners and increases the top individual income tax rates for high earners The bill would penalize the success of individuals and small businesses across the state Increasing income taxes will impact jobs, investments, and will ultimately shrink, not grow Maine's economy

In addition to impacting high earners who are successful at their jobs, these proposals would no doubt hurt small businesses In Maine, over 80% of businesses are established as LLC's, partnership or S-Corps In those instances, the income from the business flows through to the individual taxpayer (s), thus he or she is responsible for paying the income tax directly So, income taxes, and the amount of income taxes paid are very important to the majority of businesses, especially small businesses, in Maine Paying higher taxes would impact the amount a business owner chooses to reinvest in their businesses in terms of capital and personnel Failure to reinvest can have a direct impact on growing the economy and job creation

Over the years, reducing individual income taxes has been one of the top priorities for Maine's business community The Legislature has largely agreed, making significant strides over the years to reduce personal income taxes across the board for Maine people Back in 2011, the Legislature lowered income tax rates, resulting in the elimination of income tax liability for approximately 70,000 Maine taxpayers In fact, middle and low income Mainers benefitted significantly from this change The proposal included a reduction in the top marginal income tax rate from 8.5% to 7.95% Then again in 2015, the Legislature enacted legislation to further lower income tax rates including lowering that top rate yet again to 7.15% where it remains today

High personal incomes taxes have also always had an impact on businesses ability to recruit skilled workers from all over the country and the world. Businesses tell us time and time again that high income taxes are definitely a consideration in the relocation of any new employee, and why wouldn't they be. We often hear that executives and business owners make decisions to locate in a particular state based in part on their own income tax liability, and often avoid locating their businesses to states that have high income taxes.

In looking around the country, people are clearly taking note of how states handle personal income taxes. Almost everyday there are articles about how there is an outward migration of folks from states with high tax burdens to states that are tax friendly. Folks are leaving high tax states like New York, California (top rates 10.9% and 13.3% respectively) and moving to states like Texas and Florida where there are no income taxes. Does this outward migration have everything to do with these rates? Maybe not everything, but the coincidence is hard to ignore. During the global pandemic the traditional workplace shifted to remote work. Even after the pandemic many folks still work from home. The pandemic has forever changed the way people think about where they live, and where they *can* work. They don't *have* to live in high taxed states. We should be doing all we can to make sure we keep taxpayers here and not encourage them to flee to lower tax states.

Keep Maine competitive, please vote ought not to pass on L D 1866