

Testimony in Qualified Support of LD 1866 An Act to Establish 5 New Tax Brackets and a Surcharge for Higher Income Levels

May 17, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy I am here today to testify in qualified support of LD 1866 This bill will cut taxes for middle income Mainers while raising taxes on the top 5 percent of Maine earners

First let me convey that we appreciate Rep Collings submitting this bill and the issues with our income tax structure it attempts to address MECEP supports making our income tax code more progressive by increasing taxes on those with a greater means to pay, to contribute to the things we all benefit from that make Maine a great place to live

This bill would make Maine's income tax code more progressive by

- Lowering the bottom bracket from 5.8 percent to 4.5 percent
- Creating a new highest bracket of 8.75 percent for income \$250,000+ (\$500,000+ for married couples)
- Creating a surcharge of 3 percent on income over \$1m (\$2m for married couples) and 6 percent on income over \$10m (\$20m for married couples)

We believe there is an error in the bill that needs to be corrected, regarding the surcharge language, which is why our support is qualified If implemented as written, we believe it would have a different impact than the sponsor intended

As we have previously testified, according to Institute on Taxation and Economic Policy modeling, lowering the bottom bracket from 5.8 percent to 4.5 percent would cost an estimated \$180 million per year, with the largest benefits going to Maine tax filers earning over \$150,000 per year because of Maine's large standard deduction and personal exemption We oppose this as a stand-alone measure However, if the cost of this change is made revenue neutral by creating a new highest bracket and millionaire surcharge, we believe the bill as a whole will make Maine's tax code more progressive by increasing taxes on high earners and lowering taxes on Mainers with middle income

We urge the Committee to also consider how the state can make the tax code more progressive for the lowest earners by increasing the child tax credit, sales tax fairness credit, and/or earned income tax credit Please do not leave these Mainers and their families behind

Thank you for your time and I would be happy to answer any questions

Contact information maura@mecep.org

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