

February 3, 2025

Testimony on LD 210, 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, 2025, June 30, 2026 and June 30, 2027

Senators Rotundo and Grohoski, Representatives Gattine and Cloutier, and members of the Committee on Appropriations and Financial Affairs and the Committee on Taxation, my name is Maura Pillsbury and I am a tax policy analyst at Maine Center for Economic Policy. We are here today to testify on LD 210 to urge you to pursue adding new sources of tax revenue to the next biennial budget, as well as testifying on the proposals for pension deduction phase out and state worker attrition.

Raising additional revenue

We appreciate that the Governor's budget recognizes the need for more revenue. For over a decade, Maine left hundreds of millions of dollars on the table every year due to tax cuts that overwhelmingly benefited the wealthiest. That lost revenue could easily cover the current budget shortfall—without resorting to harmful cuts. Research shows that tax cuts like these don't boost economic investment; they just deepen inequality.ⁱ

Maine is at a crossroads. To sustain vital programs like paid leave, free community college, and free school meals, we need a tax system that asks more from those who benefit most from our economy. Meanwhile, it is simply wrong to ask Maine's undervalued caregivers to take a pay cut while shielding the wealthiest. We urge you to support policies that ensure everyone pays their fair share like a millionaire's tax, higher corporate taxes, and fairer capital gains taxes. Together, these steps could raise hundreds of millions to close the gap and invest in Maine's future.

Pension deduction phase out

We support the Governor's proposal to phase out Maine's pension deduction for higher earners. 98% of the cost of this proposal would be paid by the top 20%. For single filers, the deduction would phase out for taxable income between \$100,000 and \$200,000 of income, meaning there is still a benefit to those in that income range. For those married filing jointly, the benefit phases out between \$200,000 and \$300,000.

It's important to remember this is taxable income, not take home pay. For 2025, Maine tax filers can claim a personal exemption of \$5,500 and a standard deduction of \$15,000 for single filers or \$30,000 for those married filing jointly. This means single filers would still be eligible to exempt some of their pension from taxation if they make less than \$220,500, and those married filing jointly would still be able to exempt some of their pension if they make less than \$341,000. These thresholds would be even higher for filers who have other dependents or additional tax exemptions and deductions. These changes would not impact middle-income Mainers like retired teachers and firefighters.

Part R, attrition savings

The proposed increase in the state worker attrition rate would further diminish our state's capacity to provide Maine people with the quality public services they deserve. Choosing not to replace workers in departments which are already stretched thin with existing high job vacancy rates risks making it harder to hire and retain public sector employees. Despite raises in recent years, other workers including private sector workers in general have seen wages increase more, suggesting the public sector pay gap has only widened.ⁱⁱ Hiring,

retaining, and replacing sufficient staff is critical, and the proposed cuts would only exacerbate existing challenges.

Thank you for your time. I would be happy to answer any questions.
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ⁱ Marr, Chuck, Samantha Jacoby, and George Fenton. "The 2017 Trump Tax Law Was Skewed to the Rich, Expensive, and Failed to Deliver on Its Promises." Center on Budget and Policy Priorities. 13 June 2024.

<https://www.cbpp.org/research/federal-tax/the-2017-trump-tax-law-was-skewed-to-the-rich-expensive-and-failed-to-deliver>

ⁱⁱ James Myall, "Maine state employees still face significant pay gap," Maine Center for Economic Policy, February 6, 2024, <https://www.mecep.org/blog/maine-state-employees-still-face-significant-pay-gap/>