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Testimony of Representative Grayson Lookner introducing
LD 1047, An Act to Impose an Additional Tax on Certain Unearned Income
Before the Joint Standing Committee on Taxation

Good morning, Senator Grohowski, Representative Cloutier, and honorable colleagues on the Committee on Taxation. My name is Grayson Lookner, and I represent House District 113, which includes several neighborhoods in Portland. I'm here today to present **LD 1047, An Act to Impose an Additional Tax on Certain Unearned Income**.

I stand before you today because Maine faces a fundamental choice about who our economy works for. While working families struggle to afford housing, childcare, and healthcare, the wealthiest among us have never had it better - benefiting from a tax system that rewards wealth over work. LD 1047 represents an opportunity to begin correcting this imbalance by ensuring those who profit most from our economy contribute their fair share.

The stark reality is that our current tax system is upside down. A nurse paying taxes on every dollar of their hard-earned salary faces a higher tax rate than a wealthy investor paying taxes on stock market gains. This isn't an accident - it's the result of decades of tax policies that favor capital over labor, that privilege passive income over earned wages. When 84% of all capital gains flow to households making over \$200,000 while the majority of Mainers live paycheck to paycheck, we're not just talking about tax policy - we're talking about justice.

Maine's unmet needs tell the story of what happens when we fail to tax wealth fairly. Our schools remain underfunded despite finally meeting the 55% threshold, a goal that took years to achieve after \$2.5 billion in shortfalls. Municipalities struggle to maintain basic services as property taxes soar. Working parents can't find affordable childcare, and seniors can't afford to stay in homes they've lived in for decades. Meanwhile, the wealthiest Mainers - those benefiting most from our economy - continue to exploit loopholes like deferral and stepped-up basis to avoid paying what they truly owe.

The federal government's 2017 tax cuts only made this imbalance worse, delivering windfalls to corporations and the wealthy while doing little for working families. According to the Institute on Taxation and Economic Policy, the income threshold for the top 1% in Maine went from \$473,000 in 2017 to \$789,600 in 2024. Meanwhile, the income threshold for the bottom 20% increased just \$6,000

With Congress gridlocked, states like ours must lead. We've seen voters in states across New England approve fairer taxes on millionaires and scale back capital gains breaks - proving that fair tax reform is both possible and popular. LD 1047's modest 4% tax on capital gains over \$250,000 for single filers and over \$500,000 for joint filers won't affect the vast majority of Mainers, but it will generate crucial revenue we can invest in childcare, education, and housing - the building blocks of thriving communities.

Opponents will claim this tax will hurt Maine's economy, but the evidence says otherwise. Study after study shows capital gains tax breaks don't spur growth - they simply reward existing wealth. What actually grows our economy is investing in people - in good schools that prepare our workforce, in infrastructure that supports business, and in healthcare that keeps workers productive. When we ask the wealthy to pay their fair share, we're not punishing success - we're creating the conditions where everyone can succeed.

This is about more than revenue - it's about values. Do we believe a teacher's work is less valuable than a stock portfolio? Do we accept that a lobsterman should pay higher taxes than a real estate speculator? Maine has always been a place where hard work means something. Passing LD 1047 honors that tradition by ensuring everyone contributes to the communities that make our prosperity possible.

The time for excuses is over. Actions speak louder than words. With federal tax cuts draining resources from our state and working families struggling to get by, we can't afford to maintain a system that favors the privileged few. I urge you to stand with Maine workers, to stand for tax fairness, and to move LD 1047 forward. Our shared future depends on it.

Thank you for your time and consideration.