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Maine Equal Justice

People Policy Solutions

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Testimony on behalf of Maine Equal Justice in support of LD 1047, An Act to Impose an Additional Tax on Certain Unearned Income, and LD 1089, An Act to Permanently Fund 55 Percent of the State's Share of Education by Establishing a Tax on Incomes of More than \$1,000,000.

March 26, 2025

Good morning Senator Grohoski, Representative Cloutier, and Members of the Taxation Committee. My name is Ann Danforth and I use she/her pronouns. I'm a Senior Policy Advocate at Maine Equal Justice (MEJ), a nonprofit civil legal aid provider working to increase economic security, opportunity, and equity for people in Maine.

Maine Equal Justice has been active at the State House for over 25 years. Our work focuses on many of the issues that affect people's daily lives – access to adequate health care, housing, transportation and childcare; food and income security; and higher education and training. MEJ works in partnership with people living in poverty to organize and advocate together for equitable laws and policies. We also provide education and training throughout the state on programs and policies that directly impact individuals and families living with limited means.

I'm here today to testify in support of LDs 1047 and 1089.

Many of the Mainers with whom we work – your constituents – are struggling financially. Many are choosing between paying rent, heating their home, buying groceries, putting gas in the car to get to work, or paying medical and credit card bills. While 1 in 10 Mainers are living below the official poverty level (close to \$2,000 per month for a family of 3¹), 3 in 10 Mainers are "asset limited, income constrained, and employed" (ALICE).² These Mainers earn above the FPL but not enough to afford the basics in their communities where they live. Taken together, that's nearly half of Maine households who are struggling to get by.

¹ <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

² <https://www.unitedforalice.org/state-overview/maine>

Maine Equal Justice is proud of the steps towards tax fairness Maine has taken over the years, including increasing the Earned Income Tax Credit, Property Tax Fairness Credit, and the Dependent Exemption Credit. At the same time, there is still progress that can be made. As we have heard from Maine Revenue Services, the lowest earning 50% of Mainers are paying a higher *effective tax rate*³ than the top 50%, and notably, than the top 1% (see Table 5 of 2026-2027 Maine Tax Expenditure Report⁴). This is not only unfair in principle, but not taxing the wealthy and corporations also creates a missed opportunity to generate revenue that ensures we have adequate state resources for Mainers to have a safe place to live, access health care, adequate nutrition at school, and meet their basic needs.

LD 1047 and 1089 both move us closer to tax fairness by asking the wealthiest Mainers to contribute more to our shared resources.

LD 1047 would tax unearned income in the form of capital gains at a rate of 4% based on filing status. Right now, Maine's tax code treats unearned income the same as wages, even though it's not money earned through work. This disproportionately benefits wealthier Mainers with assets, stocks, and multiple homes over hard working Mainers and increases economic disparities in our state with the wealthier passively getting wealthier off of their wealth. This targeted policy will not negatively impact lower and middle income Mainers as primary residences (the only major asset for most families) are already exempt in our tax code.⁵

LD 1089 would create an income tax surcharge of 4% on income above \$1,000,000.

As with LD 1047, LD 1089 would only impact the wealthiest Mainers – with fewer than 1% of Mainers being impacted by this policy.⁶ A multimillionaire should not be paying the same tax rate as a Mainer with taxable income of just \$60,000⁷ – especially when we have policy tools like this bill at our disposal which take a finer, more targeted approach.

Revenue raised by LDs 1047 and 1089 would support investments in our state like education, health care, and infrastructure. LD 1047 and LD 1089 would each raise over \$100 million per year.⁸ That's 200 million per year that could help meet critical needs.

Thank you for your time and I'm happy to answer any questions you may have.

Ann Danforth

³ Effective tax rate is the total percentage or share of your income you pay in taxes. In other words, taxes as a percentage of income

⁴ <https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/Tax%20Expenditure%20Report%2026-27%20.pdf>

⁵ <https://mainersfortaxfairness.org/wp-content/uploads/2025/03/MFTF-Unearned-Income-Surcharge-Toplines.pdf>

⁶ <https://mainersfortaxfairness.org/wp-content/uploads/2025/03/MFTF-Millionaire-Income-Tax-Toplines.pdf>

⁷ https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/ind_tax_rate_sched_2024.pdf

⁸ <https://mainersfortaxfairness.org/wp-content/uploads/2025/03/Testify-in-Support-of-LD-1089-and-LD-1047-MFTF.pdf>