

Testimony of Linda Caprara
On Behalf of the Maine State Chamber of Commerce
In Opposition to L.D. LD 1047 – An Act to Impose an Additional Tax on Certain Unearned Income
March 26, 2025

Good morning, Sen. Grohoski, Rep. Cloutier and 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 here today to testify in strong opposition to LD 1047, “An Act to Impose an Additional Tax on Certain Unearned Income” LD 1047 proposes an additional 4% tax on capital gains exceeding \$250,000 for single filers, \$375,000 for heads of households, and \$500,000 for joint filers.

At a time of economic uncertainty this bill, no doubt, will further undermine Maine’s economic health, discourage investment, and penalize retirees and taxpayers. Maine is already a high taxed state. Increasing the tax on capital gains will do nothing more than incentivize individuals, entrepreneurs, and retirees to **flee** to lower taxed states. Unlike earned income, unearned income is not tied to labor or wages, tips or salaries. Unearned income is from interest from savings accounts and CD’s, 401K, pensions, annuities, dividends from stocks, etc, Retirees depend on income from these investments as they serve as the only source of income after retirement and impacting any equity they have built up.

Maine’s small businesses are the backbone of our economy. Many small businesses look to sell their businesses upon retiring and in the process already face significant tax liabilities. This bill further exacerbates that tax burden effectively, reducing the incentive for entrepreneurship and small business development. Maine should fostering an environment that encourages small business growth.

According to the Tax Foundation, Internal Revenue Service data shows there is a direct correlation with interstate migration to lower tax states among taxpayers. The Tax Foundation reported that among taxpayers with AGI of \$200,000 or more, the most attractive destinations were Florida, Texas, North Carolina, South Carolina and Arizona while the least attractive were California, New Jersey, New York, Massachusetts and Illinois. One look at the top income tax rates in the least attractive states says it all.

We feel this type of migration *will* happen if this bill is enacted. We believe this would and could ultimately impact Maine’s tax revenue base, leading to potential budget shortfalls and increased tax pressure on middle- and lower-income residents.

Again, for these reasons and more we urge the committee to vote No on LD 1047.