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Testimony of Representative Laurie Osher in support of
**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**

And as sponsor of
**LR 2218, An Act to Increase Fairness in the Income Tax
by Adding Higher Tax Brackets**
Before the Joint Standing Committee on Taxation

Senator Grohoski, Representative Cloutier and honorable members of the Taxation Committee. I am Laurie Osher and I represent District 25, the majority of Orono.

Thank you for the opportunity to speak today in support of **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**, and as sponsor of **LR 2218, An Act to Increase Fairness in the Income Tax by Adding Higher Tax Brackets**. I was asked to share my thoughts during today's public hearing on LD 1089 given that my bill, which has not yet been printed, also proposes to make our income tax laws fairer to working Mainers.

The income tax has the potential to be the fairest form of taxation. Sales taxes and property taxes are not so fair. Both require low and middle-income Mainers to pay a larger proportion of their income toward taxes than higher earning families. In contrast, taxes on income are based on earnings.

But when it comes to fairness, Maine's current income tax structure misses the mark. At present, our top tax rate of 7.15% begins at just \$61,600 of taxable income for an individual¹. That means that people making between \$61,000 to \$100,000 per year pay 7.15% State tax on that income, and people making hundreds of thousands of dollars a year – or even more than that – are also being taxed at 7.15%, the same as middle-class families under our tax code.

LD 1089 proposes millionaire's tax, taxing income of 1 million dollars or more at 11.15%. Far less than 1% of Mainers make over \$1 million per year. For the rest of us who don't make over \$1 million dollars a year, LD 1089 won't change our taxes at all. The ultra-wealthy have seen their taxes cut and those cuts have left our state with insufficient funds to pay for the most basic needs of our citizens. LD 1089 proposes to use the revenue generated by taxing millionaires to ensure that education is funded at 55%.

LR 2218 proposes progressively greater taxes for progressively greater income. The revenue generated will be able to fund schools, healthcare and the many programs that are competing for the limited funds available now. LR 2218 proposes to establish three additional income tax brackets:

- 1) Individuals making between \$100,000 and \$200,000 of taxable income will pay 8.15% on the income over \$100,000 and married couples filing jointly would pay 8.15% on income over \$200,000, and for heads of households, that would be \$150,000.
- 2) For taxable incomes between \$200,000 and \$300,000 individual filers will pay 9.15% on the income over \$200,000. Married couples filing jointly would pay 9.15% on income over \$400,000, and heads of households will pay 9.5% for income over \$300,000.
- 3) Individuals' taxable incomes over \$300,000 the tax rate will be 10.15% on the income over \$200,000 and married couples filing jointly would pay 9.15% on income over \$400,000, and for heads of households, that would be \$300,000.

It is important to note that the new tax rates in LR 2218 would only apply to the portion of one's income that is over these thresholds. For example, individual filers would continue to pay the same amount of tax on their first \$99,999 as they would without passing this measure. If their income is \$105,000 per year, only \$5,000 would be taxed at the higher rate.

Maine voters have told us that they want a more progressive tax code that asks high-income earners to pay their fair share. In 2016, the people of Maine approved a ballot initiative to put a 3% surcharge on household incomes over \$200,000 and use the revenue generated to fund our schools.

¹ State of Maine Individual Incomes Tax Rates 2024:
https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/ind_tax_rate_sched_2024.pdf

While that policy was repealed by the Legislature before it could go into effect, the message from our constituents was loud and clear. The majority of Mainers want to see us support proposals like the one before you today.

I have introduced tax reform bills each term in the Legislature because tax fairness is essential to me. I am old enough to have experienced living in this country at a time when taxes were higher. When we did have a fairer income tax system, our tax revenues were used to support infrastructure and programs that made Maine and the U.S. – our cities, our roads, our drinking water, our public health programs – the envy of the world. Over the decades of my adulthood, there has been a push to cut taxes on the wealthiest among us based on the false assumption that the wealth would ‘trickle down’ to others. Instead, the result of these tax cuts have greatly contributed to the rich becoming richer, those who were once middle class are struggling, and more people are living in poverty- without the resources to cover their basic needs. There is less revenue available to maintain the infrastructure that we were once proud of.

I’m bringing this to you because I can see that our present tax system is not serving Maine people. We all want to live in a Maine where we take care of the most vulnerable, where our schools are supported, and where we repair what needs to be fixed and then build a future that is better for all of us.

The revenue raised by this proposed change in Maine’s income tax structure will go a long way toward funding so many of the Legislature’s priorities that have broad, bipartisan support – yet remain unfunded or underfunded. Those include funding for our schools, funding services for adults with disabilities, funding behavioral health services, and funding to repair our state’s aging infrastructure.

Thank you for your consideration. I am happy to answer any questions you may have for me, and I would be happy to work with the committee and fellow bill sponsors to find solutions.