

Testimony of Linda Caprara
On Behalf of the Maine State Chamber of Commerce
In Opposition to L.D. LD 1089, An Act to Permanently Fund 55% of the State's Share of Education by
Establishing a Tax on Incomes of More Than \$1,000,000
March 25, 2025

Good Afternoon 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. We are testifying in strong opposition to LD 1089, An Act to Permanently Fund 55% of the State's Share of Education by Establishing a Tax on Incomes of More Than \$1,000,000

This bill would impose an income tax surcharge of 4% on the portion of a taxpayers Maine taxable income in excess of \$1 million to fund K-12 public education. L.D. 1089 would effectively increase Maine's already high tax burden. The Tax Foundation ranks Maine currently as #34 in the Business Climate ranking where 1 is the best and 50 the worst. Maine also already has one of the highest marginal income tax rates in the country, ranking the 10th highest according to the Tax Foundation.

The tax proposed in L.D. 1089 disproportionately impacts a small group of taxpayers and penalizes the success of these individuals, ultimately targeting entrepreneurs and small businesses across the state. This will no doubt have unintended consequences. These are folks that we want to attract to live, work and invest here in the State. Increasing income taxes will impact jobs, investments, and will ultimately shrink, not grow Maine's economy. If Maine is to grow it's economy, it must focus on attracting high earners, entrepreneurs innovators that bring investment here to the State. Paying higher taxes would impact the amount a business owner chooses to reinvest in their businesses in terms of capital and personnel. Failure to reinvest can have a direct impact on growing the economy and job creation.

In previous testimony, we talked about the direct correlation with interstate migration to lower tax states among taxpayers, data which the Internal Revenue Service has reported. In addition, 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.

In addition, taxpayers have always had a choice of where they live but the pandemic no doubt made that choice easier. During the global pandemic, the traditional workplace shifted to remote work. Even after the pandemic many folks still work from home. The pandemic has forever changed the way people think about where they live, and where they *can* work. They don't *have* to live in high taxed states. We should be doing all we can to make sure we keep taxpayers here and not encourage them to flee to lower tax states.

While we are supportive of funding education at 55%, we do not agree it should fall on the backs of a certain subset of taxpayers.