

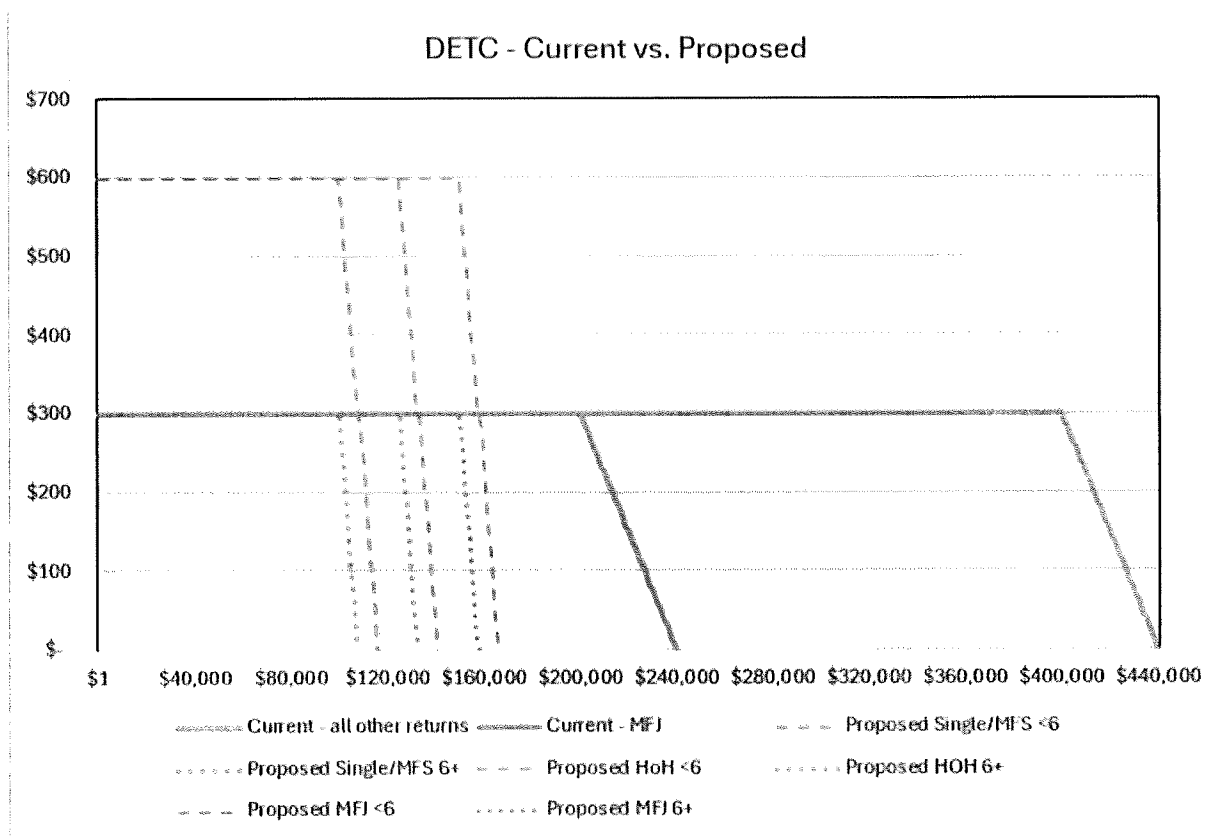
Testimony in Support of LD 1294, An Act to Expand the Dependent Exemption Tax Credit

April 8, 2024

Sen. Grohoski, Rep. Cloutier, and members of the Taxation Committee, my name is Maura Pillsbury and I am a tax policy analyst at Maine Center for Economic Policy. We are testifying in support of LD 1294.

The Dependent Exemption Tax Credit (DETC) currently provides a refundable tax credit of up to \$300 for tax filers with children and adult dependents. With LD 1294, Senate President Mattie Daughtry is proposing to double the DETC for children under 6 to \$600. The proposal is revenue neutral — it pays for itself by phasing out the benefit for higher earners and recapturing those savings to give low- and middle-income families with young children a bigger benefit.

The chart below shows how this proposal would adjust funding for the DETC to help ensure families who need it most are getting a bigger benefit. The Institute on Taxation and Economic Policy estimates approximately 174,000 households with 555,900 people, including 188,700 children, will get a tax cut under this proposal.



The table below summarizes the proposed changes, which include lowering the phase out threshold and increasing the phase out rate used to keep the bill revenue neutral. While currently Maine's phase

out threshold is the same as the federal child tax credit, several other states with child tax credits phase them out at much lower rates, and we believe this is an appropriate policy to pursue in Maine as well.¹

Credit Design	Current	Proposed
Benefit	\$300 per year	\$300 per year 6+ \$600 per year <6
Phase out threshold	Begins at \$200,000 all other filers \$400,000 married filing jointly	Begins at \$100,000 single \$125,000 head of household \$150,000 married filing jointly
Phase out rate	\$7.50 per \$1,000 of income	\$20 per \$500 of income

The table below shows example scenarios at various income levels and how the benefit would change before and after the proposed changes.

<u>Filing status</u>	<u>Income</u>	<u>Current benefit (per child)</u>	<u>Proposed Benefit (per child under 6/over 6)</u>
Single	\$50,000	\$300	\$600/\$300
	\$105,000	\$300	\$400/\$100
	\$200,000	\$300	\$0/\$0
Head of household	\$50,000	\$300	\$600/\$300
	\$130,000	\$300	\$400/\$100
	\$200,000	\$300	\$0/\$0
Married filing jointly	\$50,000	\$300	\$600/\$300
	\$155,000	\$300	\$400/\$100
	\$400,000	\$300	\$0/\$0

The DETC is a vital investment in the state’s future. As Maine’s version of the child tax credit, it helps families with children or dependent adults afford essentials like food, rent, and childcare, especially in rural areas. By easing the burden of rising costs, the DETC strengthens Maine’s economy through local spending and enhances the well-being and economic security of children, shaping their future prosperity. It also supports caregivers in meeting basic needs, promoting long-term stability, better health, and improved educational outcomes, ultimately benefiting both families and society.

We urge you to support this bill.

Thank you for your time, I would be happy to answer any questions.

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¹ Auxier, Richard C., David Weiner, and Nikhita Airi. *Constructing a Child Tax Credit That Fits Every State*. Tax Policy Center, The Urban Institute and Brookings. 28 Feb 2024. <https://taxpolicycenter.org/publications/constructing-state-child-tax-credit-that-fits-every-state>