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## Testimony in Support of LD 1876, An Act to Increase Use of State Tax Credits

May 14, 2025

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation,

My name is Will Hayward, and I'm an Associate at Moose Ridge Associates, delivering testimony on behalf of Maine Community Action Partnership, a statewide organization dedicated to improving the quality of life of Maine people by advocating for, promoting and supporting the work of the Maine community action agencies. We respectfully submit the following testimony in support of LD 1876, An Act to Increase Use of State Tax Credits.

Our state's greatest resource is our people, and our state's policies shape people's possibilities. In Community Action, we create conditions that invite children to learn and adults to apply their skills, tapping into the hidden potential in our communities. Through our Whole Family approach, we build a family's capacity for sustained stability and economic growth. We invest in the family's well-being, we let them drive their own story, and we have tangible success.

A number of our community action agencies across the state are partners in their local CASH Coalition, which operates the Volunteer Income Tax Assistance or VITA Program. Our Agencies provide the coordination and physical space for the regional volunteers who prepare, at no charge, tax returns for thousands of income-eligible Maine households – including lower income families with children. Beyond preparing the tax returns, CASH Coalition Team Members provide post-tax filing sessions with program participants that include working on household budgeting and additional financial literacy topics. The vital work of the CASH Coalition ensures that the Maine families that tax credits can make the biggest difference for are able to take advantage of them, and can get ahead on their essential needs. Increased support for this work will have a multiplicative effect in saving Maine households money.

We also know that Maine's tax credits are not utilized as fully as they could be. On a previous bill this session before this committee, information was requested for the work session on the utilization of tax credits. Below are some figures that were provided in response to that request from the 2020 Maine Working Group to Study Consolidation of Payment of Cost-of-living Tax Credits, provided by Maine Revenue Services:

#### Earned Income Tax Credit (EITC)

- With respect to the federal EITC, Plueger (2009) estimates a 75.3% participation rate based on exact matches of IRS and CPS ASEC data.
- 77.9% of eligible Mainers claim the federal EITC. A majority of those (93%) who file the federal EITC also claim the state EITC (filing the federal EITC is a prerequisite to filing the state EITC). This means about 72.4% of eligible Mainers are claiming the state EITC.

#### Property Tax Fairness Credit (PTFC)

- A rough estimate is that PTFC take-up is 60-70% among people who file a Maine income tax return, but drops to an overall take up rate of 45-55% when non-filers are also counted among the eligible.
  - For homeowners in 2015, the ratio of PTFC claims to the estimated total eligible filers is about 66%; including non-filers drops this ratio to 46.4%.
  - For renters in 2015, the ratio of PTFC claims to the estimated total eligible filers is about 42%; but when non-filers are included this ratio drops to 28%. (MRS notes the number of eligible renters may be overstated, as generally, anyone who receives a housing subsidy that requires the recipient to spend 30% of income on rent is ineligible for the PTFC.)
  - Estimated PTFC Claims / # eligible is higher for the elderly: 82.7% vs 49.3% for filers, 44% vs 37% including non-filers (renters and homeowners).
  - Excluding non-filers, PTFC Claims / # eligible is highest for taxpayers with income under \$10,000 (59%), but this is not true when non-filers are included.

#### Sales Tax Fairness Credit (STFC)

- The participation rate percentage among people who filed an income tax return is somewhere in the high 90s based on a quick model estimate.
- The number of non-filer tax units have about a 72% participation rate (a rough estimate).

It is clear that there is abundant opportunity to increase use of these tax credits and save money for Maine families. We fully support the working group as a way to address this issue.

We know Maine families are positioned to thrive when they have the tools and resources necessary to sustain themselves and grow their potential. Increasing the use of state tax credits and providing additional resources to assist with volunteer tax programs is one of these important tools. We urge the committee to vote Ought to Pass on LD 1876.