

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

5/14/25

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 1876.

Maine has made great strides in making its tax code fairer by expanding refundable tax credits, including the Earned Income Tax Credit, Property Tax Fairness Credit, and Dependent Exemption Tax Credit in recent years. Yet each year many Maine families leave money on the table because they don't file their taxes. The Economic Security Project estimates Mainers lose up to \$49 million a yearⁱ because they don't realize they are eligible for these credits. In Maine, almost a quarter of eligible taxpayers do not file for the EITC. ⁱⁱ After this year, the federal government intends to end Direct File, a free direct filing system for taxpayers which would have expanded taxpayer uptake of these credits.ⁱⁱⁱ

This bill proposes to address this by creating a working group to:

- study and recommend strategies to increase the uptake of tax credits
- study the practices of large tax preparation firms and recommend measure to ensure they support uptake of state tax credits
- studying other states' regulation of tax preparers
- address the role of state government in ensuring uptake of tax credits
- examine the role of the taxpayer advocate
- study municipal promotion of tax credits
- recommend strategies for promoting awareness of tax credits

The bill also requires annual filing by large tax preparation firms to report on their training practices to increase employee knowledge of state tax credits. A study by the US Government Accountability Office found paid tax preparation services made frequent errors and often employed people who were unqualified.^{iv} This measure would help ensure Maine taxpayers are supported in taking up these credits when they are filing with big tax preparations services.

Finally, this bill would support uptake of tax credits by providing an additional \$150,000 in funding for volunteer tax assistance services, to support Mainers in filing their taxes.

These measures will help increase tax fairness in Maine and put money back in Mainers' pockets.

Thank you for your time. I would be happy to answer any questions. maura@mecep.org

ⁱ Zucker, Gabriel and Bharat Ramamurti. "The Impact of Direct File—by the Numbers ." Economic Security Project. https://economicsecurityproject.org/wp-content/uploads/Full-Report_-The-Impact-of-Direct-File-by-the-Numbers.pdf

ⁱⁱ Internal Revenue Service, "EITC participation rate by states: Tax years 2014 through 2022." <https://www.etc.irs.gov/etc-central/participation-rate-by-state/etc-participation-rate-by-states>

ⁱⁱⁱ Hussein, Fatima. "Trump administration plans to end the IRS Direct File program for free tax filing, AP sources say." Associated Press. 17 April 2025. <https://apnews.com/article/irs-direct-file-tax-returns-free-trump-4bb0bca02fab9b3d06ae6f45ac67b7ab>

^{iv} US Government Accountability Office, "Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors." 8 April 2014. GAO-14-467T <https://www.gao.gov/products/gao-14-467t>