



HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
TTY: MAINE RELAY 711

Cheryl A. Golek

9 Vicarage Lane

Harpswell, ME 04079

Phone: (207) 535-9857

Cheryl.golek@legislature.maine.gov

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Testimony of Representative Cheryl Golek introducing

LD 1617, An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses

Before the Joint Standing Committee on Taxation

Senator Grohoski, Representative Cloutier and honorable members of the Joint Standing Committee on Taxation, my name is Cheryl Golek and I proudly represent the people of Harpswell and part of Brunswick. I'm presenting to you today **LD 1617, An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses**.

For far too long, the state has asked too little of Mainers who have the most. Since 2012, Maine has increased the amount excluded from the Estate Tax from \$1 million to \$7 million today. At the same time, the consolidation of income among those at the very top has continued to increase.

Most people with wealth accumulate assets that gain value, such as stocks, bonds, real estate and fine art, yet the gains on these assets are not taxed unless they are sold. When these assets, as well as cash, are inherited they are currently not taxed in Maine unless they are worth over \$7 million.

This is how income is further consolidated by families with the most wealth. When stocks or other assets are inherited, their value is reset, or "stepped up," so that if sold, only the gain in value since the time of the original owner's death is taxed.

In addition, many wealthy owners of stocks and real estate borrow against those assets, meaning if they never sell them they never have to pay tax on them, yet they are still able to use that wealth tax-free to take out loans. This is how the very rich are able to avoid paying taxes on much of their wealth, and why it should be taxed when it is inherited.

This bill would decrease the amount of inheritance excluded from the Estate Tax from \$7 million to \$1 million, although I propose to amend the exclusion amount in the bill to \$2 million. The bill includes an additional exclusion of \$3.8 million for inherited family farms and vital Maine industries to ensure they are protected.

We are facing difficult choices in the biennial budget. The Estate Tax can help raise revenue fairly so we can support programs Mainers rely on. Thank you for your consideration of this bill.