



The Facts

0: Days Mainers have seen any relief on their tax bills. Signed into law by Governor Baldacci, the tax reform package is in limbo pending the outcome of a veto referendum.

40: Number of years since the last significant changes were made to Maine's tax code.

87%: Percentage of Maine residents who will pay less in taxes. **95%** of families with median household income below \$46,000 will benefit; **99%** of the lowest-income Maine families will pay less in taxes under LD 1495.

\$160: Average tax break.

750, \$20 million, and \$42 million:

Respectively, the number of jobs supported, the amount in earnings supported, and the contribution to Maine's Gross State Product.

\$55 million: The collective annual amount Mainers will pay less in taxes under LD 1495.

THE ISSUE: TAX REFORM

In June 2009, Maine's legislators and Governor Baldacci enacted a historic tax reform package, LD 1495. LD 1495 represents a positive step forward for Maine's economy and middle class by *reforming and modernizing the income and sales taxes*.

THE BENEFITS

Reduction in Income Taxes

The top marginal tax rate is reduced from 8.5% to 6.5% for income up to \$250,000. For income above \$250,000 the income tax rate is 6.85%.

Standard and Itemized Deductions Replaced by New Tax Credits

Standard and itemized deductions are repealed and replaced by new tax credits. Maine residents, for example, may qualify for a refundable household credit that non-residents and part-time residents do not qualify.

Broadening of the Sales Tax

The sales tax base is broadened to include new items and services, such as fees associated with race tracks, paintball, and boat shows. The sales tax rate on lodging (except camping grounds) and prepared food is increased from 7% to 8.5%. However, Maine will still have a lower sales tax rate than the national average.

Simplification of the Already Successful Circuitbreaker Program

The income and benefit calculations for the Maine Residents Property Tax Program ("the Circuitbreaker Program"), which helps reduced property tax burdens, are simplified.

THE RESULT

Collectively, these changes to the tax code, the first substantial changes in four decades, will reduce the amount of taxes paid by Maine people, add consistency and predictability to the amount collected annually by the State, and make the tax code more progressive. Additional revenues will be dedicated to promoting Maine as a tourist destination, and improvements are made to the Earned Income Tax Credit. Most Maine people, including taxpayers, businesses, and consumers, will benefit from this comprehensive tax reform package.