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Maine Center for Economic Policy

The Administration's Latest Tax Plan: Déjà vu all over again

Maine's wealthiest taxpayers benefit at everyone else's expense

-$400
Loss in property tax relief for households receiving the maximum Circuit Breaker Program benefit.

75,544
Number of non-elderly Maine households that could receive less property tax relief in each year of the 2012-2013 biennium.

$70
Average proposed income tax break in 2013 for families earning $20,526 to $35,269.

$2,905
Average proposed income tax break in 2013 for families making $356,608 or more.

550
Estimated number of estates that benefit each year from doubling the exemption from $1 million to $2 million.

$399 million
Estimated cost in 2014-2015 biennium of the Administration's latest proposal, over $100 million more than the original plan.

70,000
Number of seniors, low-income working parents, and childless adults who will lose access to prescription drug assistance and health care.

On Friday May 6, the Administration released a "change package" updating its original biennial budget proposal. Ignoring the opportunity to craft a more affordable and fair plan, the Administration largely chose to stay the course.

The change package reaffirms the Administration's taxation principles: fiscally irresponsible tax proposals that primarily benefit Maine's wealthiest taxpayers funded by cutting investments in our people and our communities. The plan also shifts costs to municipalities and local property taxpayers, worsening Maine's revenue shortfall and undermining our economic recovery.

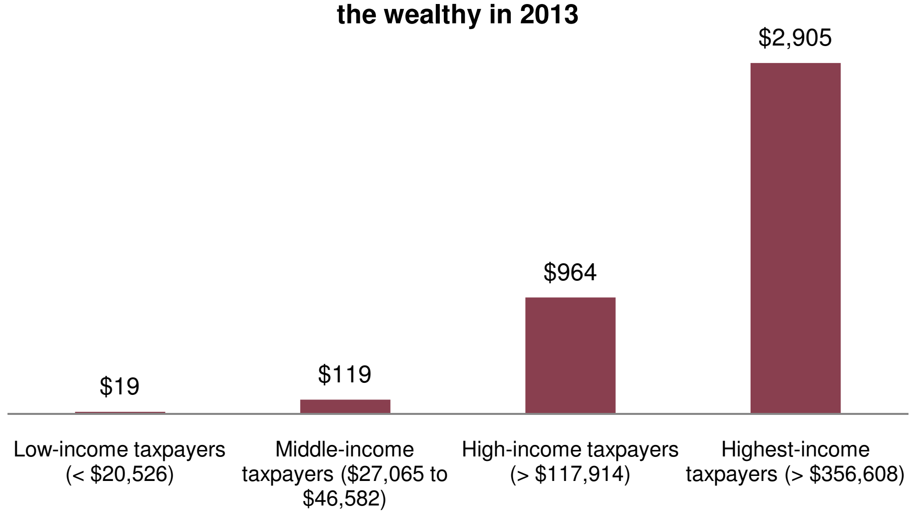
Maine's wealthiest taxpayers will reap huge benefits

The Administration's latest plan:

- Eliminates the state alternative minimum tax on individuals.
- Lowers the top income tax rate in 2013 from 8.5% to 7.95%.
- Doubles the estate tax exemption from $1 million to $2 million and implements a new tiered rate structure.
- Cuts property tax relief to more than 75,000 low and middle income Maine families by 20%, as much as $400.

The Administration's plan continues to benefit Maine's wealthiest taxpayers at a prohibitive cost to everyone else. The updated package includes tax cuts that cost roughly $199 million in the 2012-2013 biennium and balloon to approximately $399 million in the 2014-2015 biennium.

Average benefits of proposed income tax changes go to the wealthy in 2013



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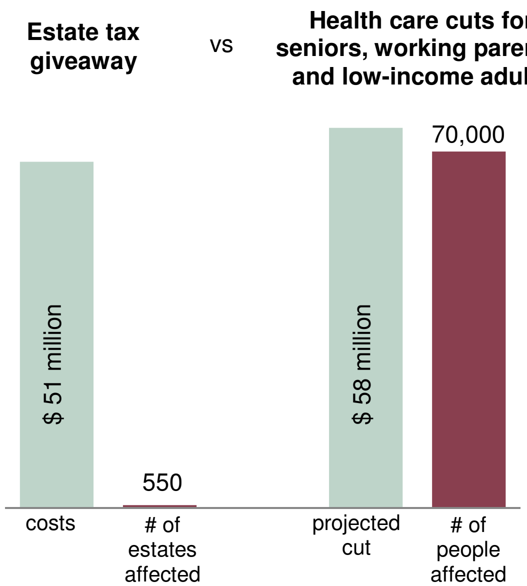
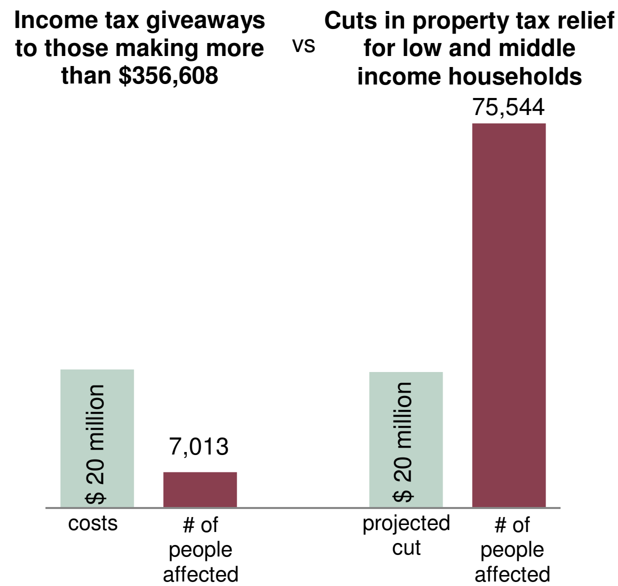
Wrong priorities for tough economic times





Maine's working families and retirees will pay dearly

Paying for these tax changes will undermine investments in Maine's working families and communities and ignore our commitments to public employees and retirees. For example, the Administration's plan:

- **Cuts property tax relief for Maine families**: With proposed budget cuts shifting costs to municipalities and local property taxpayers, now is the time to strengthen property tax relief, not reduce it. The full Legislature should reject the 20% cut to the Circuit Breaker Program.
- **Hurts those in need of health care**: 30,000 low-wage working parents and poor childless adults will lose health coverage and more than 40,000 seniors will lose prescription drug assistance.
- **Forces public employees to pay more for less retirement security**: Public employees will receive lower cost of living adjustments and pay more of their incomes for their pensions. In fact, they will pay more for their pensions than workers who receive Social Security benefits and end up receiving lower annual benefits.

The right prescription for Maine

Maine faces a revenue shortfall of more than $800 million, primarily as a result of the worst recession since the Great Depression. Rather than add to our budget woes by cutting about $200 million in taxes that primarily benefit the wealthiest taxpayers, we should first seek to protect investments in people, education, infrastructure, and other services while honoring our commitments to our state workers and retirees. This is also better for Maine's economic well-being.

If tax relief remains a priority, it should target working families who pay disproportionate shares of their incomes in taxes but can least afford to do so. Tax relief should not come at the expense of our most vulnerable populations including those who were most hurt by the Great Recession. Rather than give tax breaks to those who do not need them, the Legislature should reject the Circuit Breaker Program cuts, expand the state earned income tax credit and make it refundable, expand the brackets applicable to varying income tax rates, and maintain investments in education, infrastructure, roads, and health care. This approach would benefit a majority of Mainers while ensuring stable revenues for investments needed to sustain Maine's quality of life and to make our state a more attractive place to do business.

Figures come from MECEP analysis of data provided by Maine Revenue Services and Office of Fiscal and Program Review. Version 1.0 released on May 10, 2011.

About the Maine Center for Economic Policy
The Maine Center for Economic Policy advances public policies that help Maine people prosper in a strong, fair and sustainable economy. We advance this mission through high-quality research, analysis, citizen education, and coalition building. MECEP is an independent, nonpartisan organization.

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