

Republicans Release Proposal to Lower Tax Burden on All Mainers

Closely Mirrors Governor's Income Tax Reduction Proposal

AUGUSTA – Republican leaders in the Maine Legislature today unveiled a budget proposal that significantly reduces the income tax burden on all Maine citizens, keeps the current sales tax rate of 5.5 percent in place with no expansion of taxable items, and protects programs to help low-income Mainers.

The Republican leaders' plan reduces the income tax burden on Mainers by approximately \$380 million over the next two year budget cycle, while keeping the current revenue sharing rates to municipalities the same.

Under the Republican proposal, the highest marginal tax bracket would not kick in until \$50,000 in taxable income, which would create a significant tax cut for Maine's middle class.

Other highlights of the proposal include:

- Keeping itemized deductions
- Lowering the corporate tax rate
- Exempting military pension income tax
- Safeguarding tax exemption for non-profits
- Keeping Homestead property tax exemption
- Mirroring the Governor's plan to eliminate the estate tax

Republican leaders said they believe that this proposal is a solid framework to build the necessary support from both parties to pass a two-year budget.

Senate President Michael Thibodeau (R-Waldo) said, "This is a commonsense proposal that I believe will have strong support in the Legislature. Mainers deserve tax relief, and a simplified tax code. This plan does not include complicated bureaucratic rebate programs. Instead, it allows Mainers to keep their money without having to apply for it by filling out a form and waiting for their check to arrive."

House Republican Leader Ken Fredette (R-Newport) said, "We fully support our Republicans on the Appropriations Committee as they work through a complicated process of putting together a state budget. We share in the Governor's vision of a Maine with no income tax, which is why we signed on to his constitutional amendment to eliminate it by 2020. This proposal provides a road map toward achieving that long-term goal."

Senate Majority Leader Garrett Mason (R-Androscoggin) said, "This tax proposal shows that legislative Republicans are committed to the principles we campaigned on. We remain devoted to ensuring that Augusta is as inconsequential in Mainers' lives as possible."

The two-year budget proposal is in the hands of the Legislature's Appropriations and Financial Affairs Committee.

In order for it to take effect, it needs two-thirds approval of both the Maine Senate and House of Representatives.

The Legislature's statutory adjournment date is June 17, 2015.

Republican Legislative Tax Proposal

Keeping Money in Working Mainers' Pockets

The Republican proposal would cut Mainers' income taxes by about \$380 million over the biennium. A significant income tax cut will lead to significant economic growth, better jobs, and more opportunity for Mainers. Currently, a single filer earning about \$20,000 in taxable income is subject to Maine's highest marginal tax bracket. Under the Republican proposal, the highest marginal tax bracket would not kick in until about \$50,000 in taxable income.

This plan would give low-income and middle class Mainers a significant tax cut, and would responsibly reduce revenues.

- **Individual Income Tax Brackets:**

	<u>2016</u>	<u>2017</u>
\$0-\$5200 AGI:	0%	0%
\$5,200-\$50,000 AGI:	6.25%	5.95%
\$50,001+ AGI:	6.75%	6.5%

200
120
80

Mainers will not pay a dollar in income tax until they make over \$15,500 in total income, and they'll pay a lower rate once the tax does kick in.

- **Itemized Deductions:** Keeps itemized deductions.
The charitable contribution deduction, mortgage interest deduction, and medical expense deductions are critical tools for Mainers to keep more of their own money and decrease their effective tax rate.
- **Revenue Sharing:** Funded at \$62 million during fiscal year 2016 and \$64 million during fiscal year 2017.
Revenue sharing allows towns to combat the rise of property taxes and maintain local control.
- **Homestead Property Tax Exemption:** Keeps current homestead exemption.
The homestead exemption incentivizes home ownership and provides much-needed property tax relief.
- **Military Pension Income Exemption:** Exempts military pensions from the income tax.
Makes Maine a more attractive residence for veterans while rewarding those who have sacrificed so much for our way of life.
- **Estate Tax:** Aligns with the Governor's proposal to conform the estate tax to federal \$5.5 million exemption during fiscal year 2016, and eliminates the estate tax during fiscal year 2017.
Allows more Maine families to pass down family-owned businesses and land without harsh penalties.
- **Corporate Income Tax:** Aligns with the Governor's proposed lowering of corporate income tax rates.
Allows Maine's businesses to be more competitive.
- **Nonprofit Tax:** This plan does not tax nonprofits.
Allows Maine's thriving nonprofit sector to continue effectively and affordably providing important services to Mainers.
- **Sales Tax:** Rate remains at 5.5% and the sales base remains at current law.
Mainers will not be faced with higher taxes on more of the items they regularly purchase or services they regularly utilize.
- **Meals and Lodging:** Moves to 9% for each.
Keeps one rate to simplify tax calculations for tourism-based industries and allows more of Maine's tax revenue to be captured from tourists.
- **BETR/BETE:** Aligns with the Governor's proposal to phase out BETR and transition to BETE.
Streamlines important incentives for Maine's businesses to grow.