

# Keep Maine Competitive

*A truly bi-partisan coalition*

## Fact Sheet



We support, through the budget process, the legislature support education while removing the very economically damaging 3% income tax surcharge imposed by referendum Question 2 last fall.

While education may have funding challenges, this was the wrong solution for many reasons.

Unfortunately \$2.4m of out of state money was spent to garner a YES vote for this referendum. This is nearly five times that which was raised in Maine and spent for the No vote. We can't allow big money from out of state special interests to commandeer our economy.

YES votes won by only 6k votes or less than one percent. When one considers the vast amount of out of state money spent and that the YES vote only won statewide by carrying the city of Portland by 11k votes, the result was hardly the will of the people.

The resulting 10.15% income tax rate would forever keep Maine in the economic wilderness is self-evident. At the \$200k level, it would be the highest income tax rate in the entire country.

- The \$200,000 is based on individual, joint and head of household incomes
  - It not only targets personal incomes above \$200,000, it hits any Maine business making over \$200,000 that passes its income through the owner's individual income tax return.
  - Two thirds of taxpayers targeted by this extra income tax are small business owners. This means sub-chapter S corporations, Limited Liability Partnerships, and the other pass-through entities. Some of the largest companies in Maine are S-Corps or LLCs, as are many of the best-known and loved small local businesses.
- It reinstates the marriage penalty

### **What does this mean for Maine's economy?**

- This will make it much more difficult for Maine to attract professionals including business leaders, entrepreneurs and doctors and other health care providers.
- This will cause outside investors to remove their investments from Maine real estate and other projects, as they are required to pay Maine income tax at the marginal rate triggered by their full income.
- Detrimental to Maine's economic growth. The tax applies to Maine businesses that pass their income through the owner's individual income tax form, including sub-chapter S corporations, Limited Liability Partnerships, and the other pass-through entities.
- Maine entrepreneurs and successful individuals and families are already seeking guidance to move their residency.
- It's wrong because it creates a disincentive to starting or growing businesses in Maine, or remaining in Maine if you have an option to move.

In the end though, it's imperative that we save Maine's economy and don't make our beautiful state anymore of an outlier than it already is. We must support education but we must have a competitive business climate to provide jobs for our graduates as well as money for our schools and teachers.