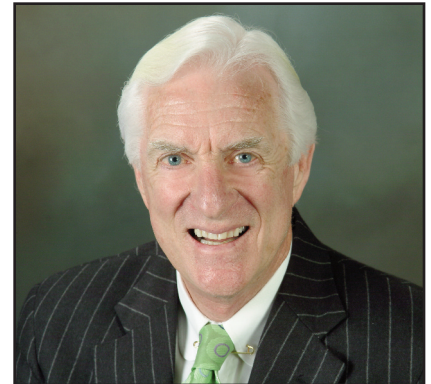


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A message from the president...

“Surtax threatens the state’s economic stability and predictability...”

by Dana Connors



Throughout the past several months, our Keep Maine Competitive coalition has been visible and vocal about the repeal of the 3% surtax as a method to fund education. We know this kind of leadership garners criticism and respect equally. This issue is decidedly one of the top issues of this legislative session – one that will single-handedly impact Maine’s ability to attract and retain jobs here. There is simply too much at stake to ignore the importance or the impact of this issue – we believe that we must find a solution that supports *both* our economy and education.

The volatility of the income tax is an unreliable source for funding any educational initiative. Maine Revenue Services recently evaluated the impact of this 3% surtax prior to the 2008 recession. In 2005, the 3% surtax would have generated a little over \$100 million in additional revenue; beginning in 2008, that revenue dipped drastically to the \$50 million to \$70 million range for the next seven years and did not rebound back to the initial \$100 million level until 2015.

With this fluctuation in mind, Maine should not rely on the income tax for sustaining our education funding. In fact, the state Revenue Forecasting Committee has already lowered its income tax revenue predictions going forward, which included added revenue from the 3% surtax for education.

Perhaps we should look at the State of Connecticut for a real-life example of the impact such a tax policy can have on a state’s economy, its education system, and ultimately its students. In 2011, the voters of Connecticut increased the income tax rate on salaries exceeding \$500,000 from 6.5% to 6.9%, a rate far lower than the proposal currently facing Maine today. As a result, Connecticut’s current financial house is in disarray; it is last in the nation for job creation, and in 2016, actually lost jobs. Connecticut faces significant budget problems, including a depleted rainy day fund and the laying off of teachers, among other serious financial challenges for the state. Connecticut’s Governor Dannel Malloy attributes the erosion of income tax revenue as the major cause of the state’s current financial woes.

Maine recovered better from the recession than Connecticut. This proposed increase in Maine’s income tax could reverse the decade of work done to improve Maine’s competitiveness. Under current law, Maine now has the second highest income tax rate in the country at 10.15%. Numerous business owners have already expressed intentions to move their operations, and the associated jobs, elsewhere.

Education funding is crucial to economic development, but we must also have a competitive business climate to provide jobs for our graduates. The business community supports a strong K-12 education system that is invested in closing educational gaps, directing funds to proven practices that benefit the state’s most at-risk students, and ensuring a career and college ready workforce for our future.

I hope you will join us and the Keep Maine Competitive coalition in urging Maine legislators to repeal the 3% surtax and find other sources of funding for education. □