



The Maine State Chamber is part of the *Keep Maine Competitive* coalition, a group of business and trade associations working to strengthen Maine's economy.

Our key focus in 2018 is the proposal on November's referendum ballot, which would impose an income surtax of 3.8% on individuals or households earning above \$128,400. This significant tax increase will have a chilling effect on Maine's economy. We are working to educate voters of its harmful impacts on the economy and the people it purports to serve.

MAINE STATE CHAMBER of COMMERCE **IMPACT**

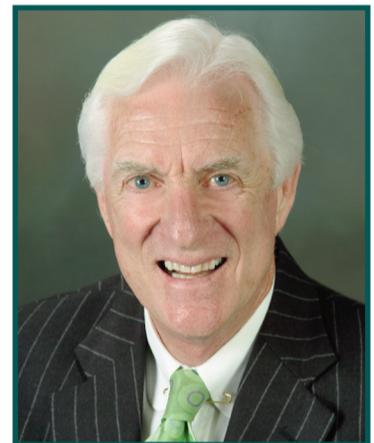
The Newsletter of Legislative and Regulatory Issues Facing Maine Business

Published on April 5, 2018

A message from the president...

“You’re killing ME...”

by Dana Connors



As Yogi Berra would say, “it’s déjà vu all over again!” Just when we think it can’t get any worse, it does. We are facing yet another poorly-drafted citizen’s initiative, driven by out-of-state special interests that proposes yet another tax increase on Maine working people. In October 2017, the Secretary of State certified the signatures for a citizen’s referendum entitled *An Act To Establish Universal Home Care for Seniors and Persons with Disabilities*, which will now appear on the November 2018 ballot.

It over-promises and under-delivers in its quest to provide universal home care for the elderly and the disabled, and worse still, its economic impacts could be devastating to our state’s economy. It resurrects the tax scheme and economic concerns raised in the 3% income surtax to fund education that was on the ballot two years ago. **Only this time the effects could be more severe.** Instead of a 3% surtax on joint incomes of \$200,000, the current referendum imposes a 3.8% surtax on joint incomes of \$128,400. This increased surtax on a lower joint income affects individuals, married couples and LLCs.

While the intent of the proposal may be well intended, it promotes unchecked union activity and creates a “waiting list” of the elderly and the disabled. It also creates a board without oversight or accountability, and all the while providers’ salaries are funded by 77% of the surtax revenue. There is just so much wrong with this proposal, despite its good intentions to help a worthy population. Unfortunately, under the guise of sympathy and empathy, it creates impossible promises and promotes economic upheaval.

The Maine State Chamber has kept our **Keep Maine Competitive** coalition in place, and we are preparing to once again help Maine voters understand the harmful implications of this new referendum question. We will be working in the coming months with the coalition to better understand the implications of this referendum and to educate voters of its harmful impacts on the economy and the people it purports to serve.



ACTION ALERTS

TALKING POINTS

Federal Tax Conformity: Please urge your legislator to vote YES for the minority ought-to-pass report

After weeks of working on the issue of tax conformity, the Joint Standing Committee on Taxation finally voted out **LD 1655, An Act to Update References to the United State Internal Revenue Code of 1986 contained in the Maine Revised Statutes.** Conformity with the federal code is especially important as the federal government recently passed into law the federal Tax Cuts and Jobs Act on December 22, 2017. Therefore, if the legislature does nothing with conformity this session, Maine would revert back to the 2016 income tax laws.

Governor Paul LePage has stated that he would not support conformity measures that raise taxes on Mainers or Maine businesses. **The minority amendment contains mitigating provisions to deal with those instances where taxes may increase to establish neutrality.** The Democrats' majority "ought-to-pass" report approved an amendment, which among other things, discarded the most important business provisions in the Governor's amendment, namely bonus depreciation and elimination of the alternative minimum tax.

The Maine State Chamber supports conforming to the federal tax code for many reasons:

- ◆ Failure to adopt tax conformity will result in an **administrative nightmare** for Mainers and Maine businesses by creating a separate set of books for state and federal record-keeping. Separate records opens door for **fraud**, from which Maine could potentially **lose millions of dollars of revenue.**
- ◆ Businesses will be allowed to take **100% bonus depreciation on assets** if Maine conforms to the code, freeing up cash that could be used to **reinvest in equipment or in employees.**
- ◆ If other states that we compete with adopt this bonus depreciation measure and Maine does not, it will place Maine companies at a **competitive disadvantage** when competing for capital.
- ◆ The **alternative minimum tax** should be repealed.
- ◆ The federal code transitions the U.S. from a world-wide to a territorial tax system, bringing back investment to the U.S. The changes in the federal code **lower the corporate tax rate** to 21%, putting the U.S. on a **level playing field** with other countries. Maine stands to **gain \$31 million in tax revenue** from this "deemed repatriation;" if Maine fails to conform to the federal tax code, Maine loses that revenue.
- ◆ Maine Revenue Services will lose the **support of the federal government to audit** personal exemptions and returns, which means filing would essentially be done on the "honor system," **costing Maine** thousands, if not millions, of dollars without access to **IRS expertise to verify taxpayer data.**

LD 1864 would impose an income surtax of 3.8% on individuals or households earning above \$128,400

LD 1864, An Act To Establish Universal Home Care for Seniors and Persons with Disabilities, will now appear on Maine's 2018 November referendum ballot and its fate it up to registered Maine voters. The ballot question that would impose a **new tax of 3.8%** on all income that either individuals or households earn above \$128,000 (the amount subject to Social Security employment taxes) to provide Universal Home Health Care to all of Maine's residents who are either over age 65 or disabled.

Backed by the Maine People's Alliance, the proposal would raise roughly \$310 million annually through income tax and payroll tax increases related to higher-earning Mainers to provide services that would include home health aides, rent subsidies, home repair, hospice care, and transportation with specific in-home health care ranging from bathing, medication management, and physical therapy to drug infusion treatments.

The Maine State Chamber strongly opposes this citizen's initiative for these reasons:

- ◆ This proposal would be a \$300-million tax increase, **the largest tax increase in Maine history.**
- ◆ This tax increase would hit Maine's **self-employed and small business owners especially hard** and make it more difficult for small, family-owned businesses to survive.
- ◆ This would be a **double tax penalty for middle class** Maine families.
- ◆ It applies the nearly **3.8 percent surtax** to every dollar a married couple earns above a **combined \$128,400** Social Security tax level even if neither person earns that much.
- ◆ The initiative **over-promises** on what it can deliver; the elderly and disabled will be put on **waitlists for services** in addition to the thousands of Mainers already on waitlists for these services.
- ◆ It would create an **unaccountable private organization** and give it the authority to control and spend hundreds of millions of public tax dollars each year and **does not require any independent oversight or public audit** of how these tax dollars are spent.
- ◆ In its current form, this ballot initiative would create **privacy implications** allowing the home addresses, contact information, and sensitive health information about the elderly and disabled to private groups without their permission.
- ◆ This law would also create **forced unionization**, as it requires every independent home care worker, even family members providing home care, to join a union and pay mandatory dues to that union.