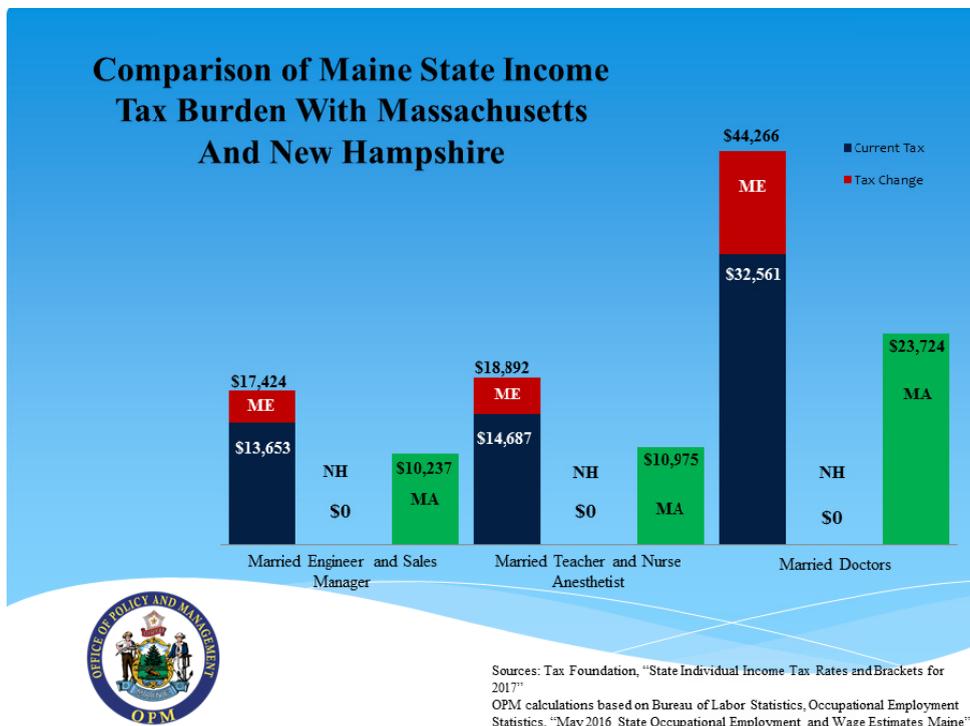


## Tax increase places Maine at both a regional and national disadvantage in recruiting and retaining professionals the state needs



In November 2016, Maine passed, by referendum, a proposal to increase the state's top marginal income tax rate from 7.15 percent to 10.15 percent—the highest rate in the country on household income of \$200,000. Maine's top rate is now nearly twice the national average of 5.33 percent and the Massachusetts flat rate of 5.10 percent. Our neighbor to the west, New Hampshire, has no income tax. This places Maine at both a regional and national disadvantage in recruiting and retaining professionals the state needs.

The above chart provides examples of professions and the income tax burden faced by those individuals. The Maine tax calculations use Occupational Employment Statistics data available at the Bureau of Labor Statistics for average wage by occupation, and Maine's individual income tax tables, Tax Rate Schedule #3 (For Married Individuals and Surviving Spouses Filing Joint Returns). The prospective tax change uses a 10.15% marginal tax rate instead of the former, 7.15% marginal tax rate.

While this infographic highlights the impacts on example professional jobs, Tax Foundation policy analyst Morgan Scarborough warned about the impact on businesses that file income taxes as individuals, writing in 2016, "As states try to foster economic growth through business-friendly tax environments, they should keep in mind that individual income taxes should be considered alongside corporate income tax rates. This tax increase would ultimately make Maine less competitive, giving Maine the highest top marginal individual income tax rate in the Northeastern region of the country." Scarborough further noted that, while Maine currently ranked 30th in the Tax Foundation's Business Tax Climate Index, by passing the surtax, "It would drop to 45th overall, in the bottom ten for tax structures in the country." □