

April 8, 2025

The voice of Maine business

Dear Members of the 132nd Maine Legislature,

The Maine State Chamber of Commerce encourages you to reject the Supplemental Budget, L.D. 2212, which represents a significant step backwards for our state's economic competitiveness.

At a time when Maine should be focused on growing Maine's economy by strengthening our business climate, encouraging investment, and supporting long-term growth, the budget will tax our job creators, depletes our budget reserves, and fails to enact the pro-growth tax policies to support research and development and reward hard-working employees here in Maine. The list of concerns is laundry list of short-term populist impulses that collectively will undermine our state's long-term economic growth. The Chamber's objections include:

- **Imposes a 2% surtax on Maine individuals and small businesses with taxable income over \$1 million.** This will catapult Maine's top marginal tax rate to 9.15%- the highest in New England. While its being framed as a tax on "millionaires," the practical impact extends well beyond individuals—it directly affects many Maine-based small businesses structured as pass-through entities, including partnerships, S corporations, and family-owned enterprises. These businesses do not pay taxes at the entity level; instead, their income flows through to owners and is taxed under the individual income tax system. As a result, the proposed surtax would increase the tax burden on job creators, reinvestment, and expansion. This will slow economic activity, discourage capital investment, make Maine less competitive relative to other states and will directly impact Maine's ability to attract and retain top talent in our state.
- **Raids the Budget Stabilization Fund.** The proposal to use \$324 million from Maine's Budget Stabilization Fund is fiscally imprudent and prioritizes short-term relief over long-term economic growth. A significant portion of these funds would be distributed as \$300 "affordability" checks—an approach that provides only temporary benefit without addressing the underlying drivers of high costs.
- **Eliminates the Business Equipment Tax Reimbursement for Some Businesses.** The elimination of the BETR program for some businesses is contradictory to a promise made to businesses who made investments in equipment. Many states simply do not allow property taxes on equipment as this creates a disincentive to continue to modernize. This will cost individual businesses hundreds of thousands of dollars this year.
- **Fails to Enact Tax Conformity.** The bill fails to fully conform with the federal tax law changes. Most notably, the bill does not allow full expensing of Research & Development expenditures in the year that they were placed in service. Prior to 2022, Maine has been in alignment with the federal tax code on this provision since the inception of the Maine tax code in 1969.

Equally concerning is the signal this sends about Maine’s policy environment. Businesses make long-term decisions based on predictability and stability. Sudden tax increases—particularly those layered on top of existing high tax burdens—undermine confidence and create uncertainty. For many employers, especially those considering expansion or relocation, this type of policy change may influence decisions about whether to grow in Maine or elsewhere. CNBC’s 2025, “America’s Top States of Business Study” ranked Maine 43rd of the 50 states and these policies will only further undermine our business ranking and national reputation.

Maine needs to focus on economic growth, workforce development, and fiscal responsibility by maintaining a stable, predictable tax environment that supports businesses of all sizes and encourages investment across the state.

Thank you for your consideration of these concerns and again we urge you to reject L.D. 2212.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Woodcock". The signature is written in a cursive style with a large initial "P" and "W".

Patrick C. Woodcock
President and CEO
Maine State Chamber of Commerce