

Facts & Figures

270,000

Number of Maine families that will see an increase in their total state and local tax bill

40%

Percentage of Maine families that will see an increase in their total state and local tax bill

75,000

Number of taxpayers who will pay more in property taxes due to cuts in Maine's Residents Property Tax and Rent Refund Program

10¢

Cents per dollar earned that wealthy Mainers pay in state and local taxes

12¢

Cents per dollar earned that middle-class Mainers pay in state and local taxes

17¢

Cents per dollar earned that low-income Mainers pay in state and local taxes

\$14

The average increase in low-income Mainers' state and local tax bill due to income tax cut

The Consequences of Maine's Income Tax Cuts

Recent Tax Cuts Increase Costs for Municipalities, the Poor, and the Middle Class

Governor LePage and the 125th Maine Legislature used cuts to income, pension and estate taxes to transfer tens of millions of dollars to the richest Mainers. To pay for these tax cuts, lawmakers passed other measures that hurt low- and middle-income Mainers and shifted to Maine's cities and towns a greater portion of the costs of education, road maintenance, fire and police protection, emergency assistance to families, and other basic services. Here's how they did it:

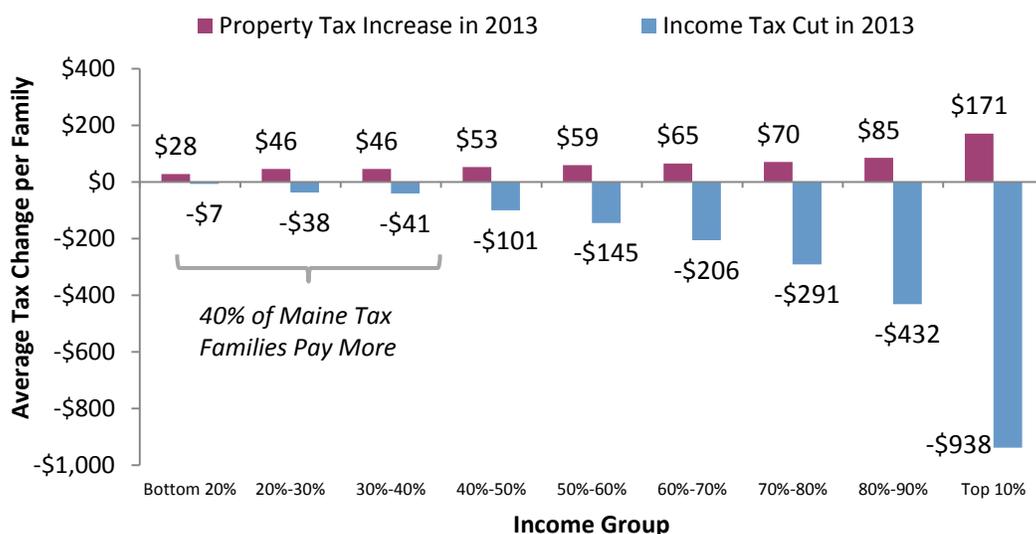
- Less property tax relief:** The legislature withheld over \$9.3 million from the Residents Property Tax and Rent Refund Program, so approximately 75,000 taxpayers who use this program will pay more property taxes.
- Less money for towns and cities:** The legislature eliminated more than \$84 million in state aid intended to reduce property taxes.
- Less money for educating kids:** Ignoring a 2005 voter mandate to provide 55% of funding for K-12 education, the legislature will provide only 45% of total funding in 2013, less than in 2006.

The Great Tax Shift

The Maine Center for Economic Policy estimated effects on property taxes resulting from cuts to property tax relief and reduction of state aid. When costs of likely property tax increases are compared to the benefits of the 2011 income tax cut, 270,000 families—40% of Maine's taxpayers—will see an increase in their total state and local tax bill.

Maine's Recent Income Tax Cuts Help the Rich but Hurt Low-income Families

2 in 5 Mainers Will Pay More



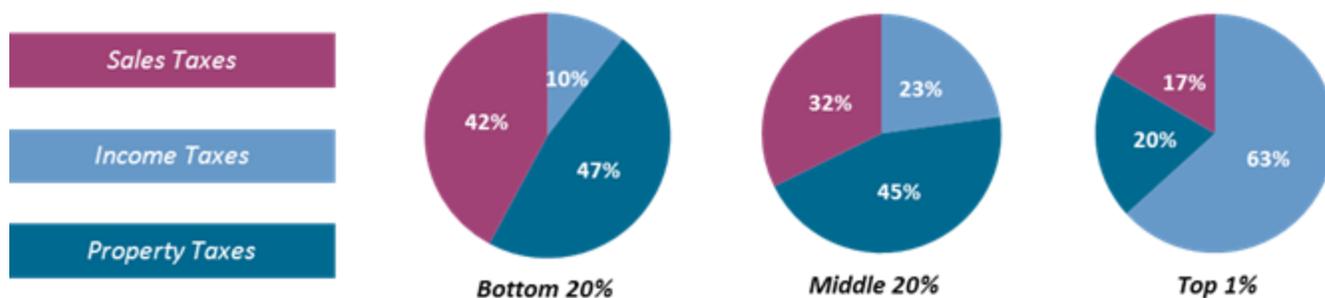
Source: MECEP analysis of data from Maine Revenue Sources and Maine Legislature, Office of Fiscal and Program Review. This illustration assumes that communities use property taxes to cover 50% of reductions in state aid.

Low-Income Mainers Pay More Property Taxes

The tax shift from income to property taxes will impact families who can least afford to pay more taxes. Low- and middle-income families already pay a higher proportion of their incomes in state and local taxes than those with higher incomes. While income tax rates increase with income, sales and property taxes do not. An increase in property or sales tax rates has a greater impact on middle- and low-income people than an increase in income tax rates. High-income earners benefit most from income tax cuts.

Property and Sales Taxes Hit Low- and Middle-Income Taxpayers Hardest

Composition of Total State and Local Tax Bills By Income Group



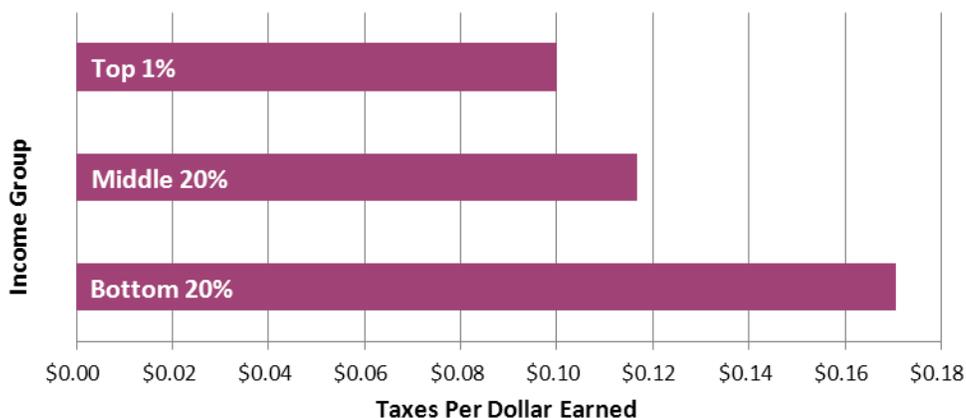
Source: Maine Revenue Services Tax Incidence Study, 2009

Low-Income Mainers Pay More Taxes per Dollar Earned

For every dollar they earned, the richest 1% paid only 10 cents in state and local taxes. By contrast, the middle 20% paid 12 cents per dollar and the bottom 20%—those earning less than \$12,000 per year—paid 17 cents per dollar. As low- and middle-income families start to pay more in property taxes related to the tax shift, this disparity will get worse not better.

Dollar for Dollar, The More You Earn the Less You Pay

Maine State and Local Taxes Per Dollar of Income, 2009



Source: Maine Revenue Services Tax Incidence Study, 2009

Maine's Future Economic Success Hinges on a Fair Tax System and Critical Investments

This is the wrong direction for Maine. Nothing is more important for our state now than creating good jobs and building a strong economy. Giving tax breaks to high-income earners while shortchanging local governments, schools, and low- and middle-income families gets us nowhere. Instead of cutting taxes to benefit the wealthy, we need to move toward a fair tax system and invest more in Maine people and communities. Only then can we achieve the vision of share prosperity for all Mainers.

The full analysis is available in MECEP's report: *Consequences of Maine's Income Tax Cuts* at www.mecep.org.