



A BETTER DEAL FOR MAINE

LOWERING PROPERTY TAXES & INVESTING IN OUR FUTURE

The 127th
Maine Legislature

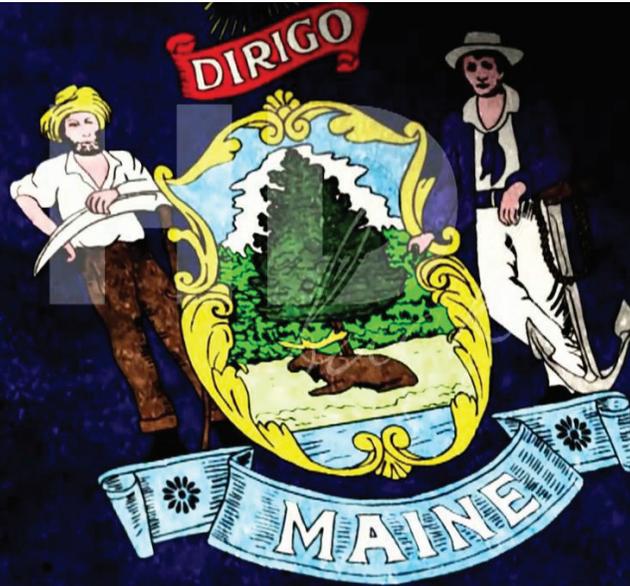
MAINE FAMILIES DESERVE A BUDGET THAT PUTS MORE MONEY IN THE POCKETS OF WORKING MAINERS AND INVESTS IN OUR ECONOMIC FUTURE.

THE BETTER DEAL FOR MAINE PRIORITIZES TAX CUTS FOR THE MIDDLE CLASS AND SENIORS, LOWERS PROPERTY TAXES FOR ALL MAINE HOMEOWNERS AND INVESTS IN OUR SCHOOLS, WORKERS AND COMMUNITIES.



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A LETTER TO MAINE TAXPAYERS

As the top Democratic leaders in the Legislature, we are offering a counter proposal to Governor Paul LePage's budget. Our Better Deal for Maine is a win for Maine families. It grows our economy from the middle out, by putting more money in the pockets of working families and investing in our economic future.

The Better Deal for Maine prioritizes tax cuts for the middle class, lowers property taxes for all Maine homeowners, and invests in our students, workers and communities. It does so by asking nonresidents, the wealthy and corporations to pay their fair share. Unlike the Governor's proposal, the Better Deal for Maine is fully paid for and balanced now and into the future.

While Democratic leaders commend the Governor for initiating a much-needed conversation about tax reform, his budget takes Maine in the wrong direction. Maine's economy lags behind the nation in job growth and wages. His budget will make it worse.

Our Better Deal for Maine is a win for working families. It prioritizes tax cuts for the middle class. It lowers property taxes for all Maine homeowners and it invests in our schools, communities and economic future.



The Governor's plan puts tax breaks for Maine's wealthiest individuals and corporations ahead of tax cuts for working class families and will result in increased property taxes. It shortchanges investment in schools, public safety, transportation, job training, health care and other foundational pieces of a strong, sustainable economy. Elsewhere in the United States, we have seen these kind of top-down economic policies result in fiscal crisis and deep cuts to schools.

The Governor's plan puts tax breaks for Maine's wealthiest individuals and corporations ahead of tax cuts for working class families.

Maine families deserve a better deal. Democrats look forward to working with our Republican colleagues and the Governor to do what's best for Maine families and our economy. We want to hear from you, so please join us in town halls and forums across the state or contact us directly at the State House.

Rep. Mark Eves
Speaker of The House

Rep. Jeff McCabe
House Majority
Leader

Rep. Sara Gideon
Assistant House
Majority Leader

Sen. Justin Alfond
Senate Democratic
Leader

Sen. Dawn Hill
Assitant Senate
Democratic Leader



WHO BENEFITS

The Better Deal for Maine is a win for Maine families and our economy. It puts more money in the pockets of working families. It lowers property taxes for all Maine families and invests in our schools and workers by asking the wealthy and corporations to pay their fair share.

If you are a young family or a senior struggling to keep up with rising property taxes, our deal is better for you: The Better Deal for Maine cuts property taxes by \$120 million annually for Maine residents by doubling the Homestead Exemption for all Maine homeowners and increasing the Property Tax Fairness Credit by more than \$57 million per year.

If you are a parent, a student, or a worker, our deal is better for you: The Better Deal for Maine invests in our economic future by bolstering investment in Maine schools, students and workers.

If you live or work in rural Maine, our deal is better for you: The Better Deal for Maine prevents property tax hikes and

cuts to vital local services like police, fire and public works. It increases funding for revenue sharing to \$80 million each year while rejecting taxes on non-profits.

If you work hard and are simply trying to save for retirement or maybe just the next family vacation, our deal is better for you: The Better Deal for Maine cuts income taxes by hundreds of dollars for the vast majority of Maine families while asking the wealthiest 5 percent to pay their fair share.

If you are small business owner, our deal is better for you: The Better Deal for Maine asks corporations to pay their fair share and levels the playing field by no longer allowing large corporations to hide their money in offshore tax havens.

A Better Deal:



for young families and seniors

The LePage budget cuts taxes for large corporations and the wealthy by eliminating property tax relief for young families and seniors. The Better Deal for Maine lowers property taxes for all Maine homeowners by \$120 million per year.



for students and workers

Governor LePage's budget abandons investment in our schools, students and workers. Our Better Deal for Maine invests in public education from pre-kindergarten through high school, college and job training programs, ensuring economic success for our students and workers, and setting the state on the path for a stronger economic future.



for Maine communities

Governor LePage's budget eliminates funding for revenue sharing that supports fire, police, and public works in Maine communities. The Better Deal for Maine keeps the state's promise and increases funding for revenue sharing for local services like police, fire, and public works.



for Maine's middle class

Governor LePage's plan gives the largest tax cuts to Maine's wealthiest residents. The Better Deal for Maine targets income tax cuts to middle- and low-income Mainers. The Governor's plan gives 50 percent of income tax cuts to the top 10 percent. Under the Better Deal for Maine, 98 percent of income tax relief goes to the bottom 95 percent.



is fully paid for

Governor LePage's budget sets Maine up for a fiscal crisis and will leave a \$300 million hole in the budget that will lead to deep cuts in education. Our Better Deal for Maine is fully paid for and is fiscally responsible.

FACTS IN NUMBERS

\$120

MILLION

A YEAR IN DIRECT
PROPERTY TAX
RELIEF

\$80

MILLION

A YEAR FOR
LOCAL FIRE, POLICE
AND PUBLIC WORKS

\$20

MILLION

MORE EACH YEAR
FOR
K-12 EDUCATION

Our plan builds the economy from the middle out. It is built on the fundamental belief that if you create more opportunity for people, they will have a greater chance at success. If you put more money in the pockets of working families, they will spend it locally at our businesses and grow our economy. It is simple middle-class economics. Our targeted tax cuts are paid for and won't create a huge \$300 million budget hole in the future. The Better Deal For Maine rejects the failed policies of trickle-down economics that gives more money to people who don't need it while crippling our ability to invest in the very things that lift up families, like schools, job training and health care.

98%

OF INCOME TAX
RELIEF

GOES
TO



THE BOTTOM

95%

OF ALL
TAXPAYERS

Avg of **\$191**
tax cut for
middle class



The Governor's plan is a giveaway of \$10,000 on average to the top 1%. The Better Deal targets tax cuts to middle- and low-income families and asks the wealthy to pay their fair share.

Up to
\$1,500

In direct property tax relief for seniors under the Property Tax Fairness Credit.

On Average
\$300

More in the pockets of homeowners compared to the LePage plan.

*Homestead Exemption calculated by the average mill rate



HOW DOES OUR PLAN STACK UP?

Middle Class Tax Cut

Under the Better Deal for Maine middle class families will, on average, see a larger overall tax cut.

Property Tax Relief

Our plan increases direct property tax relief for Maine Families by \$120 million per year.

Increase Revenue Sharing

We avoid property tax hikes by increasing revenue sharing to \$80 million per year while rejecting non-profit tax.

Lower Sales Tax

The governor's plan raises the sales tax to 6.5%. Under The Better Deal for Maine, we keep the sales tax at 5.5%.

Middle Class Economics vs. Trickle-Down Economics

The Better Deal for Maine builds on Governor Paul LePage's tax reform plan, but targets it more towards middle income families. It rejects the failed top-down economic policies that give tax breaks to the wealthy and corporations at the expense of the rest of us.

The Better Deal for Maine grows the economy using proven economic strategies of investing in our people and our communities to create more opportunity for Maine families. By putting more money in the pockets of working Mainers and making smart investments in our students and workers, we can grow good jobs and strong wages in our state.

	LePage Plan	A Better Deal for Maine
Income tax relief	50% of income tax relief goes to the top 10%	98% of income tax relief goes to the bottom 95%
Sales tax rate	Increases sales tax rate to 6.5%	Keeps sales tax rate the same at 5.5%
Meals	6.5%	Keep current rates at 8%
Lodging	8%	Adopts LePage Plan at 8%
Sales tax base	Broadens number of items subject to sales tax	Adopts the LePage Plan
Sales tax fairness credit	Creates a refundable tax credit from \$250-\$500 to offset the sales tax increases	Adopts the LePage Plan
Homestead Exemption	Doubles for elderly. Eliminates for under 65	Doubles exemption for everyone, not just elderly
Property Tax Fairness Credit	Expands credit that offsets high property taxes	Adopts the LePage Plan
Revenue Sharing	Provides \$62 million in revenue in FY16; eliminates it in FY17	Increases funding for revenue sharing to \$80 million in FY16 and FY17
Estate Tax	Increases exclusion amount in 2016 and eliminates estate tax in 2017	No change to current law
Non Profit Tax	Requires municipalities to tax non-profits on property greater than \$500,000	Rejects taxes on non-profits
Corporate Income tax	Reduces rates	No changes to current rates. Closes loophole on offshore tax havens
Pensions	Exempts military pensions from income tax and increases exemptions for non-military pensions	Exempts military pensions from income tax and maintains current law on other pension exemptions
Telecommunications tax	Transfers tax collection to the towns	No changes to current law
Tobacco	No changes to current law	Equalizes tobacco taxes for all tobacco products



**WELCOME TO
MAINE**
The Way Life Should Be

HOW THIS IMPACTS THE AVERAGE MAINER

Fairness. Opportunity. Success.

These are the principles and values that define the Better Deal for Maine.

Whether you are a single mom, a family of four, or a retired couple, your family will see a bigger benefit under the Better Deal for Maine. It will put more money in your pocket, while also investing in our schools, our people, and our communities.

The Governor's plan helps those that need it the least -- the most.

The Better Deal for Maine builds for our future and builds our economy from the middle out-- not the top down.

MARRIED WITH TWO CHILDREN

Annual income of \$100,000

Total Tax Reduction: \$608
Beats LePage Plan by \$406

Assumptions:

Home Value: \$175,000 with a mill rate of 15

Itemized Deduction: 15 percent of income



SINGLE MOM WITH ONE CHILD

Annual income of \$30,000

Total Tax Reduction: \$177
Beats LePage Plan by \$183

Assumptions:

Renter: \$1,000 per month

Standard Deduction



RETIRED COUPLE OVER 65

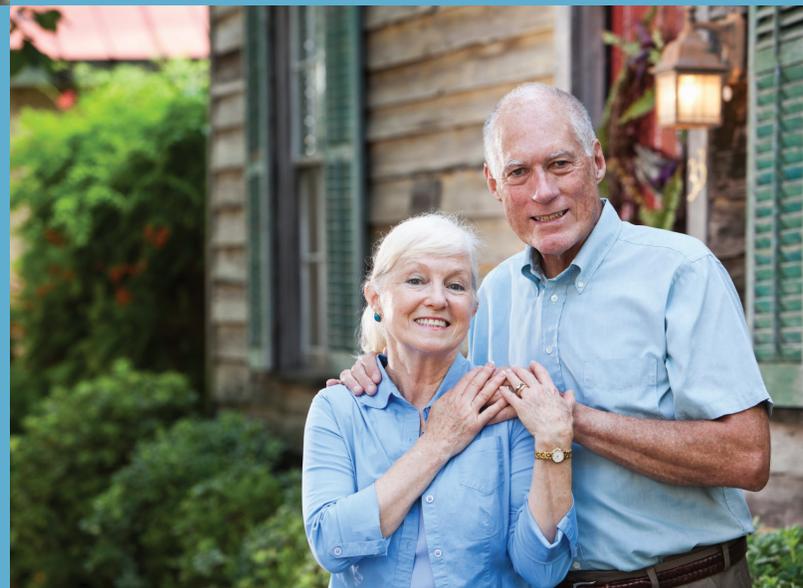
Annual investment income of \$10,000 and
\$30,000 in Social Security

Total Tax Reduction: \$194
Beats LePage Plan by \$248

Assumptions:

Home Value: \$150,000 with a mill rate of 20

Standard Deduction



APPENDIX- DOLLARS AND SENSE

Individual Income Tax: Like the LePage Plan, the Better Deal replaces the current system, in which the top bracket kicks in at a low income level, with a truly progressive rate and bracket system. It broadens the income tax base and simplifies the income tax by eliminating itemized deductions, as proposed by the Governor. It also adopts the LePage Plan to create a new credit for medical expenses. It eliminates the income tax on military pensions as proposed by the governor. Overall, these income tax changes provide an income tax cut for the bottom 95% of taxpayers, on average. The income tax will keep the current rate for the top 5% of taxpayers, on average, while eliminating deductions. It increases fairness in Maine's tax system and provide substantial tax relief for the vast majority of Mainers while costing the state far less than the LePage Plan would.

Individual Taxpayer	LePage Plan (FY'16)	LePage Plan (FY'19)	Better Deal (Fully Phased In by FY'17)
	Bracket / Rate	Bracket / Rate	Bracket / Rate
	\$0/0	\$0/0	\$0/0
	\$9,700 / 5.75%	\$9,700 / 5.75%	\$5,200 / 6%
	\$50,000 / 6.95%	\$50,000 / 6.5%	\$25,000 / 6.5%
		\$175,000 / 5.75%	\$50,000 / 7.50%
			\$150,000 / 7.95%
Standard Deduction	\$6,200	\$6,200	\$9,000
Standard Deduction Phaseout	None	None	\$50K to \$75K
Personal Exemption	\$3,950	\$3,950	\$3,950
Personal Exemption Phaseout	None	None	\$75K to \$125K
Pension Exclusion*	\$15K	\$30K	\$10K
Fiscal Note (FY17)	-\$418MM	-489MM	-\$120MM

* The table above is for single filers. For married filers, multiply the brackets, standard deduction, and standard deduction phase out by 2; for head of households, multiply by 1.5.

Refundable Sales Tax Fairness Credit: The Refundable Sales Tax Fairness Credit is a critical mechanism to offset the impacts of broadening sales taxes for low-income Mainers. The Better Deal adopts the Governor's proposal for a refundable sales tax fairness credit. The total value of the credit is estimated to be \$71 million in FY 2019.

Refundable Property Tax Fairness Credit: The Property Tax Fairness Credit is important to restore targeted property tax relief that was lost with the elimination of the Circuit Breaker program. It is the best way to target property tax relief directly to Maine residents based on ability to pay. The Better Deal adopts the Governor's proposal to increase property tax relief under the Property Tax Fairness Credit by \$58 million annually.

	Current Law	LePage Plan	Better Deal
Threshold	6%	6%	6%
Reimbursement Rate	50%	100%	100%
Max Credit nonelderly	\$600	\$1,000	\$1,000
Max Credit Elderly	\$900	\$1,500	\$1,500
Max Benefit Bases	\$2,000/2,600/3,200	\$3,000/4,000/5,000	\$3,000/4,000/5,000
Income Phaseout Starts	\$13,333/23,333/33,333	\$33,333/50,000/66,666	\$33,333/50,000/66,666
Income Phaseout Ends	\$33,333/43,333/53,333	\$50,000/66,666/83,333	\$50,000/66,666/83,333
Total Amount (Annual)	\$35MM	\$93MM	\$93MM
Fiscal Note (FY17)	\$0	-\$58MM	-\$58MM

Homestead Exemption: The Homestead Exemption is important to any plan to export tax burden to out-of-state residents. The LePage Plan cuts the Homestead exemption overall, whereas the Better Deal doubles the Homestead Exemption for all Maine homeowners.

	LePage Plan	Better Deal
Nonelderly Exemption	\$0	\$20K
Elderly Exemption	\$20k	\$20K
Total Amount (Annual)	\$17MM	\$57MM
Fiscal Note (FY17)	\$12MM	-\$29MM

Revenue Sharing: Increases funding for revenue sharing to 2.5% to nearly \$80 million per fiscal year.

	LePage Plan	Better Deal
Total Cost (Annual)	\$0	\$77MM

Corporate Income Tax: The Better Deal makes no changes to the corporate income tax rate compared to current law. The plan does close the door on offshore tax haven loopholes. Fiscal impact: \$5MM per year.

Estate Tax: The Better Deal makes no changes to current law.

Telecommunications Excise Tax: The Better Deal makes no changes to current law.

Tobacco Taxes and Equalization: The Better Deal plan equalizes taxes on all tobacco products. Fiscal Impact: \$7MM per year.

Sales and Use Taxes: The Better Deal adopts the LePage plan to expand and modernize the sales tax base. However, the Better Deal proposes maintaining general sales and use tax at the current 5.5% rate, a 15% reduction compared to the LePage Plan. The Better Deal keeps taxes on restaurant meals and lodging at current law, 8%.

	LePage Plan	Better Deal
General Sales and Use Tax Rate	6.5%	5.5%
Meals Tax Rate	6.5%	8%
Lodging Tax Rate	8%	8%
Rental Car Tax Rate	6.5%	10%
Service Provider Tax Rate	6%	6%
Base Expansion (FY 2017)	\$119MM at 6.5% rate	Approx. \$100MM at 5.5% rate
Revenue Impact in FY 2016	\$227MM	Approx. \$160MM
Revenue Impact in FY 2017	\$389MM	Approx. \$240MM

**A BETTER
DEAL FOR
MAINE**

Prepared Jointly by the Democratic Offices of the Maine Legislature
For more information please call 207-287-1300

