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Enough is Enough

"Eliminating Maine's estate tax would jeopardize ...our economy and further divide the wealthiest from the rest of Mainers."

--Sarah Austin, MECEP
Policy Analyst,
testimony before the

MECEP Matters

Dear MECEP Friend,

MECEP has a long history of fighting for tax and budget fairness. These past two months, we have continued to advance policies that strengthen our ability to fund our schools and communities and make Maine's tax system fairer. We are pleased to provide the March issue of *MECEP Matters*, MECEP's electronic newsletter, featuring excerpts from some of our work.

Sincerely,
Mark Sullivan
Communications Director

How Mainers' Personal Income Taxes Work

Take a look at [MECEP's new guide](#) on personal income tax brackets, deductions, and credits.

The guide illustrates how taxes are calculated and shows the impact of 2015 changes to the tax code that will result in lower income taxes for 86% of Maine families and a fairer tax code. These changes include a near doubling of the standard deduction to offset increases in tax brackets and a cap on itemized deductions. Income tax credits and a doubling of the property tax homestead exemption also will help hundreds of thousands of working Maine families.

The suite of tax changes provides funding for our schools and roadways, continues popular programs like heating assistance and prescription drug assistance for the elderly, and preserves funding for municipal aid to help reign in property taxes.

State Surplus Funds Better Invested to Grow the Economy

Facts & Figures

\$18 million
cost to eliminate tax
on estates worth
over \$5.5 million

\$52 million
cost to allow
unlimited itemized
deductions

\$38 million
cost to fund tax
credit for businesses
to buy new
equipment

\$23 million
shortfall in funding
for local schools

\$150 million
backlog of road and
bridge repairs
annually

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MECEP [cautioned](#) that investing in education, health care, and infrastructure will improve the state's credit rating more than increasing the state's budget stabilization fund, especially at a time when the state is still struggling to recover from the recession.

While the budget stabilization fund is intended to provide a cushion for future "rainy days," it's raining now. The legislature must focus first on making Maine's economy more resilient and on improving the quantity and quality of Maine's workforce.

Estate Tax Repeal is Unwarranted

MECEP [spoke out](#) on the governor's plan to eliminate the state's estate tax as bad policy that would widen the growing gap between rich and poor in Maine.

MECEP research shows that of the 13,000 Mainers who die each year, fewer than 60 estates are subject to Maine's current estate tax on more than \$5.5 million in wealth. Roughly 25 of these estates are for out-of-state residents. Low- and middle-income Mainers already pay a larger share of their income in taxes than wealthy Mainers. Eliminating the estate tax would make this worse.

MECEP's estate tax analysis was featured in a [news story on MPBN](#) and in an article in the [Bangor Daily News](#).

Unlimited Deductions Jeopardizes Schools and Safety

MECEP's [reasoned voice](#) called for keeping the itemized deduction cap made permanent in last year's budget agreement. The cap, which limits the expenses wealthy earners can deduct on their income tax to \$28,500, was part of sweeping changes last year that make Maine's tax code fairer for working families. The changes include an expansion of the tax brackets, lowering of the top tax rate, and an increase in the standard deduction.

The itemized deduction cap generates approximately \$52 million in revenue that is helping fund schools, provide services, and protect public safety and the environment. Eliminating the cap will increase future budget shortfalls and erode the state's capacity to maintain critical services and infrastructure for Maine people, businesses, and communities.

MECEP describes the issue in-depth in a [fact sheet](#) and an op-ed that

appeared in the [Lewiston Sun Journal](#), and [MBPN/Bangor Daily News](#) picked up the story.

Federal Tax Conformity Gives Windfall to Big Business

MECEP also [opposed](#) windfall tax breaks to businesses at the expense of state funding for education, municipal services, and other programs important to Maine.

The issue is whether Maine's tax code conforms with the federal code giving a business an accelerated, upfront depreciation rate on the purchase of new equipment for which they receive a windfall tax break.

The program known as the Maine Capital Investment Credit accrues mainly to large corporations and businesses and has proven ineffective as an incentive for businesses to purchase new equipment.

Choosing to conform to federal bonus depreciation is a contentious issue, not only because the policy is ineffective, but because the program costs the state millions in corporate tax revenue each year.

MECEP's Garrett Martin explains what Mainers need to know about the tax conformity debate in a special to the [Bangor Daily News](#).

James Myall Joins the MECEP Team

James Myall is the newest addition to our MECEP family, joining the rest of [our staff](#) in December as a policy analyst.

James is an experienced researcher and data analyst. He possesses technical skills using excel, SPSS (statistical analysis software), and data visualization graphics and has excellent writing and communication skills.



James Myall

James holds a master's degree in ancient history and archaeology from the University of St. Andrews in Scotland and a master's degree in public policy and management from the University of Southern Maine. He previously held positions as executive director of the Freeport Historical Society and coordinator of the Franco-American Collection and adjunct professor of American history and government at USM, Lewiston-Auburn College (2011-14). He is the co-author of *The Franco-Americans of Lewiston-Auburn*.

MECEP Blog Posts

Read some of MECEP's recent blog posts or [click here](#) to visit our blog.

[Wither our roads?](#)

[Is Maine's current job creation strategy off-base?](#)

[Trade agreement threatens Maine jobs and wages](#)

["Piglet Book" misses the real scandal](#)

[Latest employment figures paint a poor picture for Maine's economy in 2015 and beyond](#)

[Why state lottery odds are never in Mainers' favor](#)

[Focus on sales tax increases obscures the reality of a better deal for Maine people](#)

MECEP in the News



Listen to Garrett Martin's recurring interviews on the [WGAN Morning News](#) with hosts Mike Violette and Ken Altshuler live at 6:38 a.m. on most Tuesdays on AM 560 or FM 105.5, or on [podcasts](#) on the WGAN website. Here are some other news items featuring MECEP's analyses.

[LePage Again Proposes Eliminating Estate Tax](#)

(Maine Public Broadcasting, March 3, 2016)

[LePage proposes eliminating Maine estate tax](#)

(Bangor Daily News, March 2, 2016)

[Maine bill would undo last year's tax changes](#) (MPBN/Bangor Daily News, February 25, 2016)

[MaineCare Expansion Is Still A Great Deal](#)

(MECEP op-ed, Brunswick Times Record, February 24, 2016)

[Interview about tax conformity and the Maine Capital Investment Credit](#)

(WZON-AM, February 17, 2016)

[Interview about the Maine Capital Investment Credit](#) (WGAN-AM/FM, February 16, 2016)

[What's really behind State House fight over tax conformity](#) (Bangor Daily News, February 16, 2016)

[Interview about the shortcomings of MHPC's report on state spending](#)

(WZON-AM, February 12, 2016)

[Interview about tax conformity, state revenue forecasts, and the impact of marijuana legalization on Maine's economy](#)

(WGAN-AM/FM, February 2, 2016)

Contributions to the Maine Center for Economic Policy are deductible as charitable contributions for federal income tax purposes.