



Press Release
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House Democratic Proposal Gives Major Tax Cut to the Rich, Taxes Low- and Middle-income Mainers Instead

Augusta, Maine (June 7, 2017) - House Democrats released a budget counter offer today in an effort to get closer to a budget agreement with Republicans, who have repeatedly indicated their top budget priority is to undo the additional funding source for education that voters approved in November 2016. A full repeal of the education surcharge would result in a cut of \$320 million from schools over the next two years. Unfortunately, the House Democratic proposal gives up too much in attempting to reach a compromise, increasing taxes on low- and middle-income Mainers in order to give high income households another tax break.

Sarah Austin, policy analyst for the Maine Center for Economic Policy, responded to the proposal, "Mainers went to the polls in November fed up with tax cuts for the wealthy shortchanging our schools. What House Democrats proposed is a \$172 million tax cut for the top two percent and a \$140 million tax increase for everyone else. Moreover, the proposal is a cut to resources available for schools and other priorities by at least \$30 million over the next two years and jeopardizes our ability to achieve full funding of schools in future years. This is not what Mainers voted for."

The House Democratic proposal reduces the education surcharge to 1.75% and lifts the surcharge threshold to apply only to household income over \$300,000. The proposal partially offsets this tax cut by increasing the sales tax by a quarter percentage point; increasing taxes on some tobacco products; and increasing the lodging tax by 1%.

Maine Tax Facts:

- Middle income Mainers already pay the highest effective state and local tax rates in the state. The proposal put forward by House Democrats makes the situation worse by increasing taxes on low- and middle- income Mainers to give a huge tax break to the wealthiest two percent.
- Sales taxes tax low- and middle-income Mainers at a higher effective rate because a larger proportion of their income is spent on consumable goods. Wealthy Mainers, on the other hand, use a larger proportions of income on savings and investments that aren't affected by sales taxes.
- When the state fails to fully fund education, local property taxpayers have to pay more.

About the Maine Center for Economic Policy

The Maine Center for Economic Policy is a nonpartisan policy research organization that provides citizens, policymakers, advocates, and media with credible and rigorous economic analysis that advances economic justice and prosperity for all Maine people.

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