Maine Center for Economic Policy

Mailing: PO Box 437
Street: 1 Weston Court, Suite 103
Augusta, ME 04332
207.622.7381
mecep.org

Testimony on LD 1995 An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2022 and June 30, 2023

March 2, 2022

Good morning, Senators Breen and Chipman, Representatives Pierce and Terry, and Members of the Appropriations and Financial Affairs and Taxation Committees. My name is Sarah Austin. I'm the director of policy and research at the Maine Center for Economic Policy.

The surplus Maine expects is a massive opportunity to invest in Maines's workforce through providing affordable childcare, paid family medical leave, and fair wages for care workers and other service providers in our communities. The surplus is also a powerful antidote to the problems plaguing Maine communities like the opioid epidemic, lack of affordable housing and behavioral health services, and lack of affordable higher education and training. MECEP urges this committee to prioritize transformative investments in Maine communities that will improve opportunities for Mainers struggling the most, as lifting up those in the greatest need will have the biggest payoffs and minimize suffering.

MECEP supports many of the tax sections proposed by the governor as they are directed toward specific affordability issues of student debt, the high costs of housing, and encouraging work while coming at a modest cost to the revenues the state is expecting. For the governor's proposal to spend half the surplus on payments back to taxpayers, we strongly suggest alternative approaches that can get cash to low income households struggling most with price increases while allowing for more revenues to be put back into providing solutions to the workforce, affordable housing, and other needs.

Part L-One-time Payments

Part L would allocate $411 million to one-time $510 payments. The payments would be sent to single households with incomes less than $75,000 and married filing joint households with incomes less than $150,000. This proposal would benefit 80 percent of Maine households.

Getting cash to households, particularly those with low income, is important to assist families with increasing costs of food, fuel, housing, and more, but there are better ways to target Mainers who need help the most.

As this committee considers efforts to help families struggling with price increases and accessing essentials such as housing and childcare, we urge you to target efforts to the households that are struggling most. This not only helps ensure policies have the greatest impact, but helps resources go farther to tackle more issues facing households and businesses.

> A one-time $500 increase to the sales tax fairness credit base credit would provide a similar benefit to low-income households and cost only $160 million. The existing sales tax fairness credit ranges from $130 for single filers to $235 for married households with two children and gradually phases down as income increases. Increasing this credit by $500 would deliver a similar benefit to the governor's proposal for the lowest income households and 55 percent of households would benefit.[i]
>
> The legislature can also target low-income households with children by making the state's $300 child credit refundable. Maine households who are eligible for the Federal child tax credit are able to claim the state's $300 tax credit for children, but low-income households are locked out from benefitting from this credit because it is not refundable. Many low-income households were helped to file taxes for the first time to benefit from the federal monthly expanded child tax credit making this a great time to ensure these same families are able to benefit from the state's credit for children. This proposal would cost only $23 million per year.

Part E-Earned Income Tax Credit

Part E would double the state's Earned income Tax Credit for tax years 2023 and beyond. Maine currently offers a refundable EITC worth 12 percent of the federal credit for households with children and 25 percent of the federal credit for filers without children. This proposal would increase the maximum credit for a family with three kids from $832 to $1,733 and for single filers from $140 to $280 when Mainers file their taxes next spring.

MECEP supports this proposal which will strengthen Maine's workforce and long-term outcomes for young children. The state earned income tax credit benefits 92,000 working Maine families each year.[ii] The EITC has been successful in encouraging and rewarding work, especially for single parents working for low wage jobs who, as primary caregivers, struggle to balance schedules and find affordable childcare.[iii] The EITC helps boost incomes to help these families make work pay. This is not only good for strengthening the labor force, but it is a boost to retirement security as well. These workers who would otherwise be out of the labor force, are able to pay into social security and maximize their income in retirement, too.

The EITC and other refundable credits for low-income households have proven to be the most effective tool to reduce poverty and long-term research shows that boosting household incomes in families with small children (under the age of 5) gives a significant boost to longer term outcomes for those children particularly as it relates to their future earnings and involvement in the workforce.[iv]

Part F-Property Tax Fairness Credit

Part F would expand the state's income tax credit for high property and rent costs. This proposal would increase the property tax fairness credit for qualifying individuals from $750 to $1,000 for people under 65 and from $1,200 to $1,500 for those 65 and over.

MECEP supports this effort to help low-income Mainers manage higher housing costs. The property tax fairness credit helps 54,000 Maine households with low incomes manage high rent and property tax costs by offering a refundable credit at tax time.[v] The credit offers a refund up to the maximum credit amount on property tax and equivalent rent costs (equal to 15 percent of annual rent payments) that exceed 5 percent of the household's income. The proposal in Part F would increase the credit amount available to households and use a lower 4 percent of income threshold for tax years 2022 and later.

Part H-Student Loan Tax Credits

Part H would replace the state's educational opportunity tax credit with a student loan repayment tax credit. The proposal simplifies the tax benefit for repaying student loans while living and working in Maine. It would offer a dollar-for-dollar match up to $2000 for student loan payments made within the tax year. Maine residents with earned income of at least $11,934 (minimum wage multiplied by 936 hours) who earned a degree from an accredited institution after 2007 are eligible for the credit. Eligible Mainers would be limited to a total of $25,000 in credits over their lifetime.

MECEP supports this proposal as student debt is a substantial burden for families and Maine's economy. In 2016, Mainers held $5.9 billion in student debt.[vi] That amount was equal to 10 percent of the state's GDP for that year.[vii] By simplifying the eligibility requirements for degrees, this proposal will help more Mainers access the tax credit for student loan payments. MECEP is strongly supportive of the refundable aspect of this credit as without refundability many lower wage workers with student debt are unable to benefit from this credit.

State Board of Property Tax Review - Budget Line 0357

The proposed budget would provide funding for two staff positions for the State Board of Property Tax Review which has only one part time staff member.

MECEP supports this initiative. The State Board which is the final say on disputed local assessments of non-residential properties has been backed up and cases have been pending for many years awaiting a hearing. In the meanwhile, municipalities and property owners have been left in limbo on large property tax disputes that are taking years to be heard by the state board.

Thomaston recently had a case scheduled to be heard in March for property tax abatement requests that date back to 2018. This delay leaves towns in the lurch. As abatements stack up, towns have to budget for the potential that they will have to repay tens of thousands in collected property taxes if the board eventually sides with the property owner and this liability can harm their bond ratings. Staffing this board will help move its work along and provide more timely clarity for property tax owners and assessors when disputes over property valuations arise.

Thank you for the opportunity to offer comments. I'm happy to take any questions and can be reached at saustin@mecep.org.

---

[i] Estimates for STFC and $300 child credit provided by the Institute on Taxation and Economic Policy, February 2022

[ii] Maine State Tax Expenditure Report 2022-2023. Maine Revenue Services Office of Tax Policy. https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/tax_expenditure_21_0.pdf

[iii] Policy Basics: The Earned Income Tax Credit. The Center on Budget and Policy Priorities. Updated December 10, 2019 https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[iv] Policy Basics: The Earned Income Tax Credit. The Center on Budget and Policy Priorities. Updated December 10, 2019 https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[v] Maine State Tax Expenditure Report 2022-2023. Maine Revenue Services Office of Tax Policy. https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/tax_expenditure_21_0.pdf

[vi] Consumer Finance Protection Bureau. 50 State Snapshot of Student Loan Debt, October 2017. Available at: https://files.consumerfinance.gov/f/documents/cfpb_student-loans_50-state-snapshot_complaints.pdf

[vii] In 2016, Maine's GDP was $60.3 billion. https://fred.stlouisfed.org/series/MENGSP