

June 1, 2017

Letter to the Editor of the Portland Press Herald:

Maine should heed Connecticut lesson on tax surcharge

EDITOR'S NOTE: The following Letter to the Editor was submitted by Dana Connors, president of the Maine State Chamber of Commerce. We have reprinted it here for your review. Posted on May 30, it can be accessed online at www.pressherald.com/2017/05/30/letter-to-the-editor-maine-should-heed-connecticut-lesson-on-tax-surcharge/.

Time for the Legislature to repeal the 3 percent tax surcharge is running out. If it is not repealed, Maine could face an economic tsunami from which we may not recover.

Raising taxes on high-income earners and small businesses, to one of the highest rates in the country, can have a devastating impact on a state economy. For proof, just look to Connecticut.

In 2015, that state increased its income tax rate on high-income earners. The result? Across-the-board cuts in state government and schools, state income tax revenue is down almost \$1.5 billion, and it has lost 3 percent of its population – nearly 30,000 people – almost all of whom are retirees and younger workers who left Connecticut in droves.

General Electric even left Connecticut for Massachusetts, which has a top marginal rate of 5.1 percent – less than half of Maine's. Massachusetts funds its schools at a higher rate than Maine, and has the No. 1-rated schools in America.

If Maine's Legislature does not act on lowering the 10.15 percent tax rate – which is 3.16 percentage points higher than Connecticut's – what will Maine's economy look like in five years? How many employers and taxpayers will have left Maine for states with lower taxes? With Maine being the oldest state in the country, we cannot afford any population loss, let alone 3 percent of our people.

It doesn't take an economist to see who is succeeding and why. We need to take Connecticut's lesson to heart and repeal the 3 percent tax while upholding the spirit of the voters' voice and increasing funding for education. It can be done with the right amount of political will. The future of a healthy Maine economy truly depends on the Legislature finding this will now. Our citizens cannot afford to wait. □

Close House vote for local option tax bill

— Maine Chamber opposed bill

On Wednesday, May 31, the House voted 73-69 to defeat **LD 1522**, *An Act to Authorize a Local Option Sales Tax*. The bill would allow a municipality to impose a local option sales tax by referendum at any given rate. LD 1522 received an "ought-to-pass" report coming out of the Taxation committee with support from both sides of the aisle.

The Maine State Chamber opposed the bill, along with two other local option tax proposals. The Maine State Chamber also opposed **LD 1230**, *An Act to Allow a Local Option Sales Tax on Meals and Lodging*, and **LD 1265**, *An Act to Allow the Creation of Local Option Sales Tax by Referendum*. Both LD 1230 and LD 1265 were defeated. LD 1230 would have allowed the municipality to impose a local option sales tax up to 1% on meals and lodging. LD 1265 would have allowed a municipality to impose a local option sales tax of up to 1% by referendum.

The Maine State Chamber has long opposed local option sales taxes for a variety of reasons. Enacting a local option sales tax increases the total tax burden in the state. It simply adds another layer of sales tax to items purchased in municipalities that enact it. Local option sales taxes hurt small brick and mortar businesses. Many folks buy locally to support small brick and mortar businesses in their municipalities. Local businesses compete with nearby local businesses in surrounding towns. Businesses located

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Local Option Sales Tax... (Continued from Page 1...)

in towns that enact a local option sales tax will be at a competitive disadvantage with nearby businesses in municipalities that do not enact a local option sales tax. It will pit one community against another. The tax will hit their bottom line, and they will not be able to pass the expense on to the consumer, ultimately losing sales to neighboring towns that don't have local option sales tax. Finally, local option sales taxes impact local economic development efforts. Municipalities around the state work hard to try to attract businesses to their locales; many hire economic development directors to do just that. This will do nothing to attract businesses, but will discourage businesses from locating in towns that have additional taxes. This bill will make towns that impose sales taxes less attractive. Once local option taxes are in place, it would be virtually impossible to remove them because that municipality would become dependent on the revenue.

For more information, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □

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About the Maine State Chamber of Commerce: Since 1889, the Maine State Chamber has been fighting to lower your cost of doing business. Through our Grassroots Action Network and OneVoice program, we work with a network of approximately 5,000 companies statewide who see the value in such a service and provide the financial support that keeps our access, advocacy, and assistance efforts going strong. As Maine's Chamber, we make sure that the business environment of the state continues to thrive. The Maine State Chamber of Commerce advocates on behalf of their interests before the legislature and regulatory agencies and through conferences, seminars, and affiliated programs.

House approves tax haven legislation along party lines

Bill goes to Senate for vote

On Wednesday, May 30, the Maine House of Representatives voted along party lines in a 7-6 "ought-to-pass-as-amended" vote on **LD 784, An Act to Prevent Tax Haven Abuse**. Similar bills have come before this committee in prior legislative sessions, and each one of them was voted out along party lines and was eventually defeated in non-concurrence between the House and Senate. Hopefully, this bill will meet the same fate.

The Maine Department of Administrative and Financial Services, Maine Revenue Services, and the Office of Tax Policy outlined a whole list of identified issues with the bill, questioning its constitutionality and legality. The United States has adopted a "water's edge" approach (which Maine follows) to taxing income where foreign affiliates are excluded when determining taxable income of a company doing business in Maine. This bill would require corporations that file unitary income tax returns in Maine to include income from certain jurisdictions outside the United States in net income when apportioning income among tax jurisdictions.

The list of countries labeled as "tax havens" in this bill is arbitrary and targets some countries, while leaving others alone. While the water's edge approach is constitutionally permitted, this random inclusion of some countries as opposed to others may be discriminatory and in violation of the Foreign Commerce Clause.

Maine State Chamber testified in opposition to LD 784 on the basis that it threatens to impede the growth of Maine businesses in the global and local economy. LD 784 would interfere with federally-negotiated tax treaties between the United States and countries around the world. Countries labeled as "tax havens" could create disputes with trading partners, and there is a risk that these countries could retaliate based on this policy. Ultimately, Maine State Chamber lobbyist Linda Caprara said, this could impede the growth of Maine companies around the globe, negatively impacting Maine companies doing business in these designated countries.

The bill would also likely result in double taxation, even though the bill states that it would prevent it. Maine's corporate tax laws are based on apportionment, and there is no credit for taxes paid in international jurisdictions.

In the past, both Liechtenstein and Luxembourg have been on the "blacklist" of "tax havens." Both countries wrote to the Taxation committee and the Legislature urging members not to pass this legislation, stating that this type of legislation threatens to impede growth in their nations.

The bill is now headed to the Senate for debate. We will continue to closely monitor its progress. For more information, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □

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KEEP MAINE COMPETITIVE



The Maine State Chamber is part of the *Keep Maine Competitive* coalition, a group of business and trade associations working to strengthen Maine's economy. Our key focus this session is repealing the 3% income tax surcharge imposed by last fall's referendum (Q2). While the coalition supports more funding for education, this significant tax increase is the wrong solution and will have a chilling effect on Maine's economy.

*For more information, please visit
<http://www.mainechamber.org/KeepMaineCompetitive.php>.*

TELL YOUR LEGISLATOR TO REPEAL THE 3% TAX.



DON'T DEVASTATE MAINE'S FUTURE.

Keep Maine Competitive coalition's primary focus this session the repeal of the 3% income tax surcharge imposed by last fall's referendum question. While the coalition, and Maine's business community, supports more funding for education, this funding mechanism needs to be replaced. A significant tax increase is the wrong solution and will have a devastating effect on Maine's economy.

THE TIME FOR ACTION IS NOW!

In the coming weeks, legislative leaders will vote to accept Maine's next biennial budget. It is imperative that you contact to your legislator and urge them to remove the 3% surtax and find an alternative funding source for education. With your help, we will repeal the surtax that hurts Maine's economy and support a strong K-12 education system

***Please contact your legislator and urge them to repeal the 3% tax.
It's easy and fast ~ just click the "Take Action" button from
www.mainechamber.org/KeepMaineCompetitive.php today!***

- Encourage legislators to remove the very economically-damaging 3% income tax surcharge imposed by referendum Question 2 last fall.
- Request that legislators support an increase to education funding through the budget process.
- Under current law, Maine now has the second highest income tax rate in the country at 10.15%.
- Numerous business owners have expressed their intent to move their operations elsewhere to escape this unreasonable tax.
- Repeal of the 3% tax will ensure Maine businesses stay here and continue to create jobs here.
- It's imperative that we save Maine's economy and don't make our state any more of an outlier than it already is.
- Education funding is crucial to economic development, but we must also have a competitive business climate to provide jobs for our graduates.
- The business community supports a strong K-12 education system that is invested in closing educational gaps, directing funds to proven practices that benefit the state's most at-risk students, and ensuring a career and college ready workforce for our future.

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**2017 REGIONAL
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from 7:30 a.m. to 9:00 a.m.

- Portland Region:** Thursday, June 15; UNE Portland Campus
- Lewiston/Auburn Region:** Thursday, June 22; Hilton Garden Inn, Auburn
- Bangor Region:** Wednesday, June 28; Hilton Garden Inn, Bangor
- Northern Maine Region:** Thurs., June 29; University of Maine, Presque Isle

Maine State Chamber's annual **Regional Business Breakfasts** bring "the Chamber to your region," enabling us to hear first-hand about the concerns of each region's local businesses, as well as providing an opportunity to present the latest public policy information that employers there need to know. *Space is limited and "first come, first served."* **Please RSVP** to Amy Downing by emailing adowning@mainechamber.org.