

MAINE'S STATE & LOCAL TAX SYSTEM

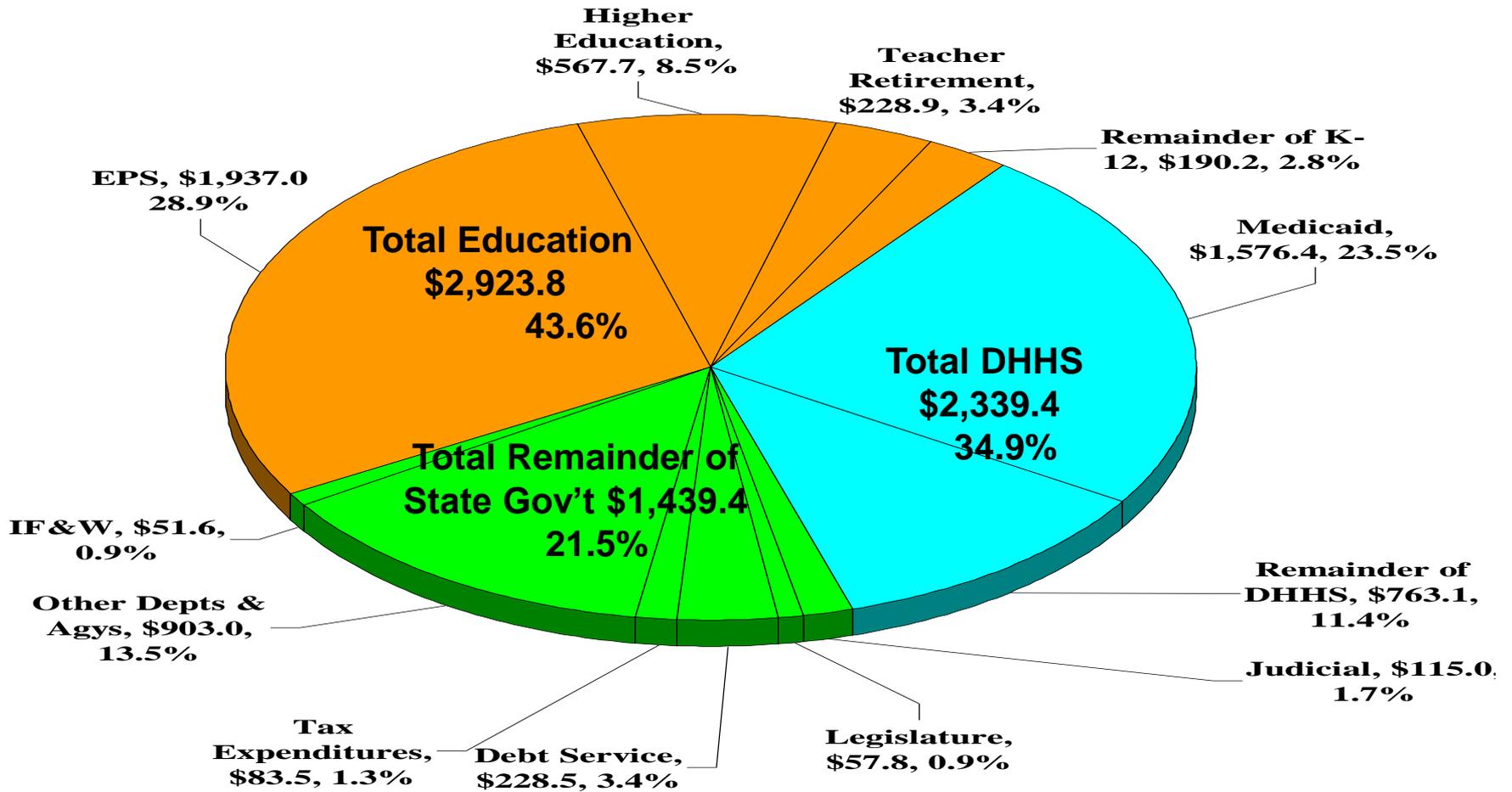
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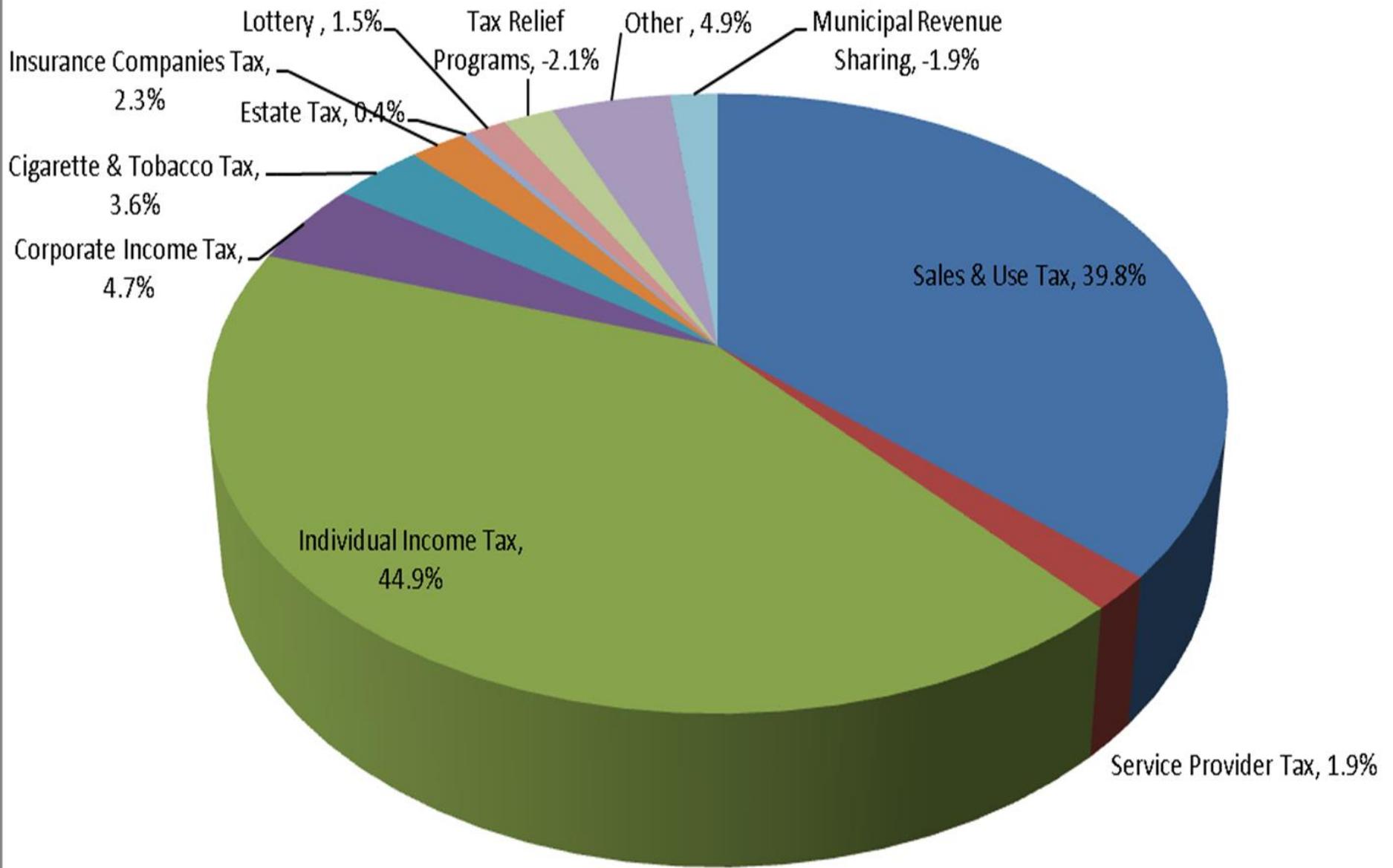
April 25, 2016

Outline of Presentation

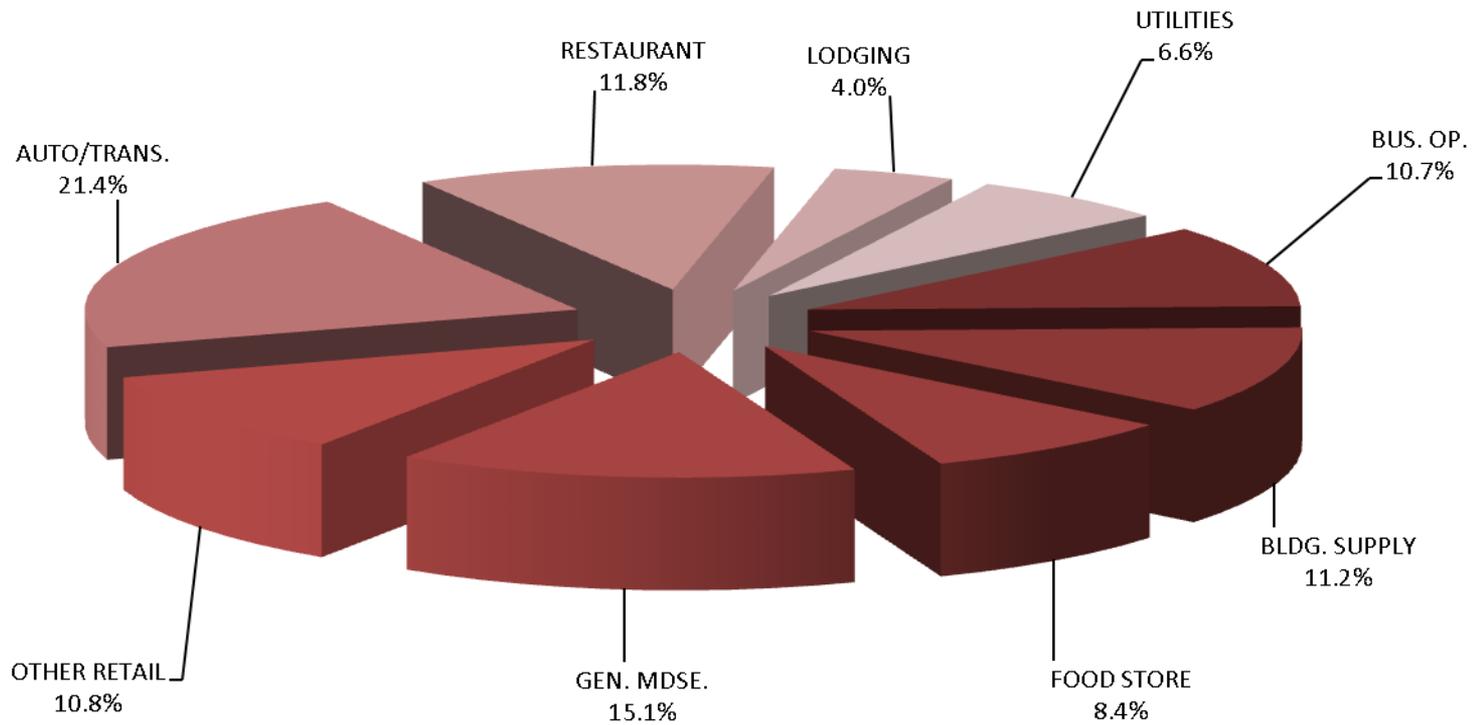
- Volatility of Current State Tax System
- Budget Stabilization Fund
- Summer Research

FY 2016 - 2017 Total General Fund Appropriations \$6,702.7 Dollars in Millions

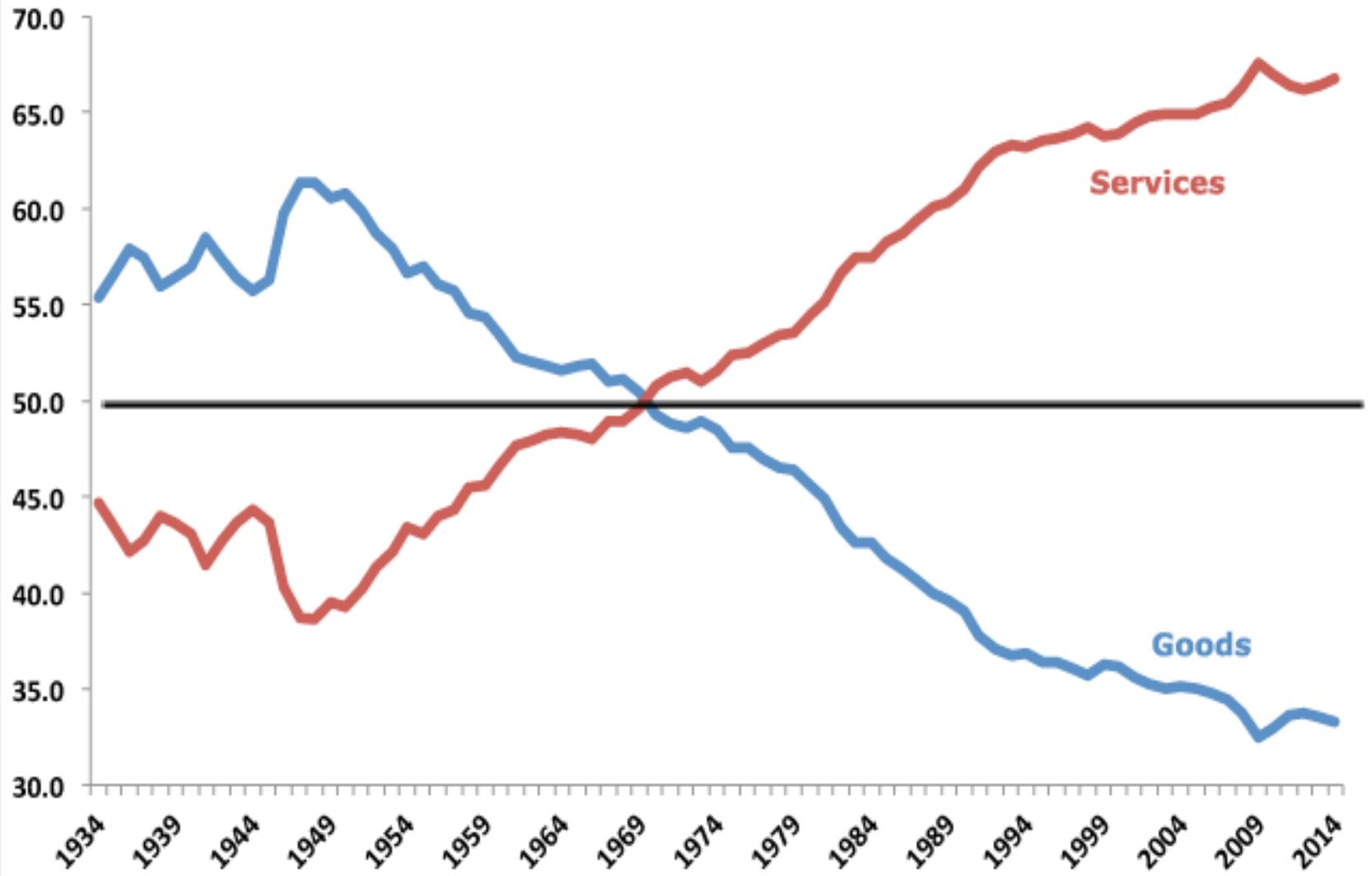




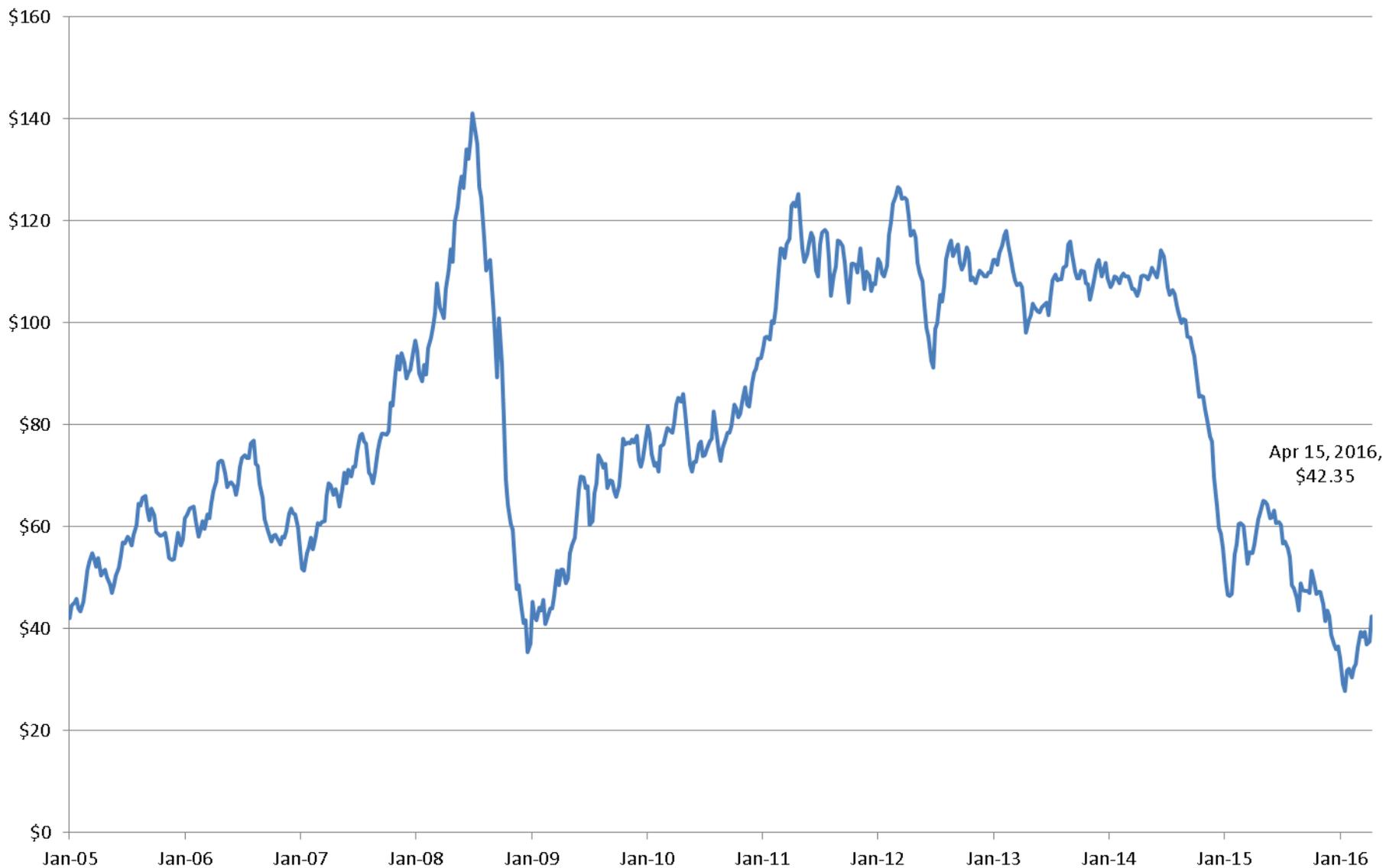
2015 Maine Taxable Sales by Sector



Personal Consumption Expenditures [percentage of total]



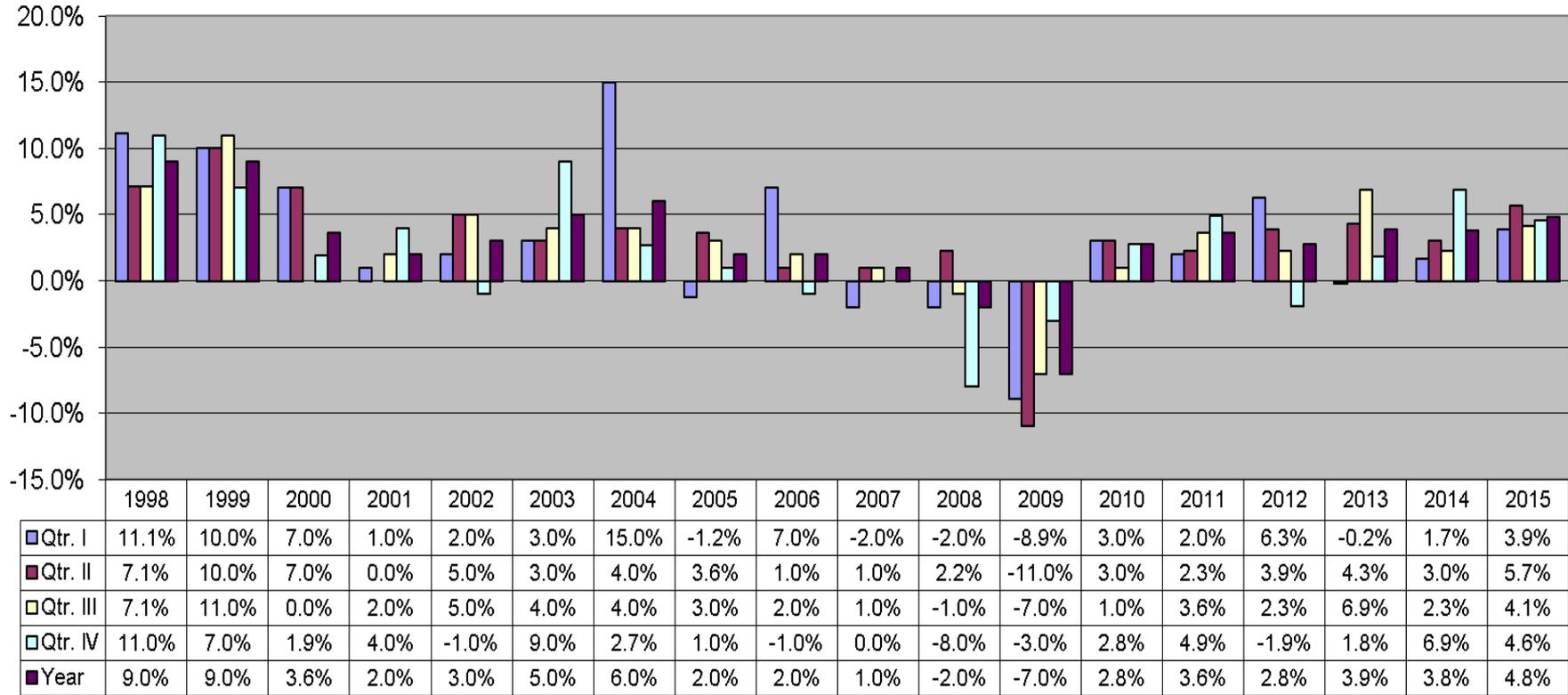
Weekly Europe Brent Spot Price (Dollars per Barrel)



Source: U.S. Energy Information Administration

Total Taxable Sales

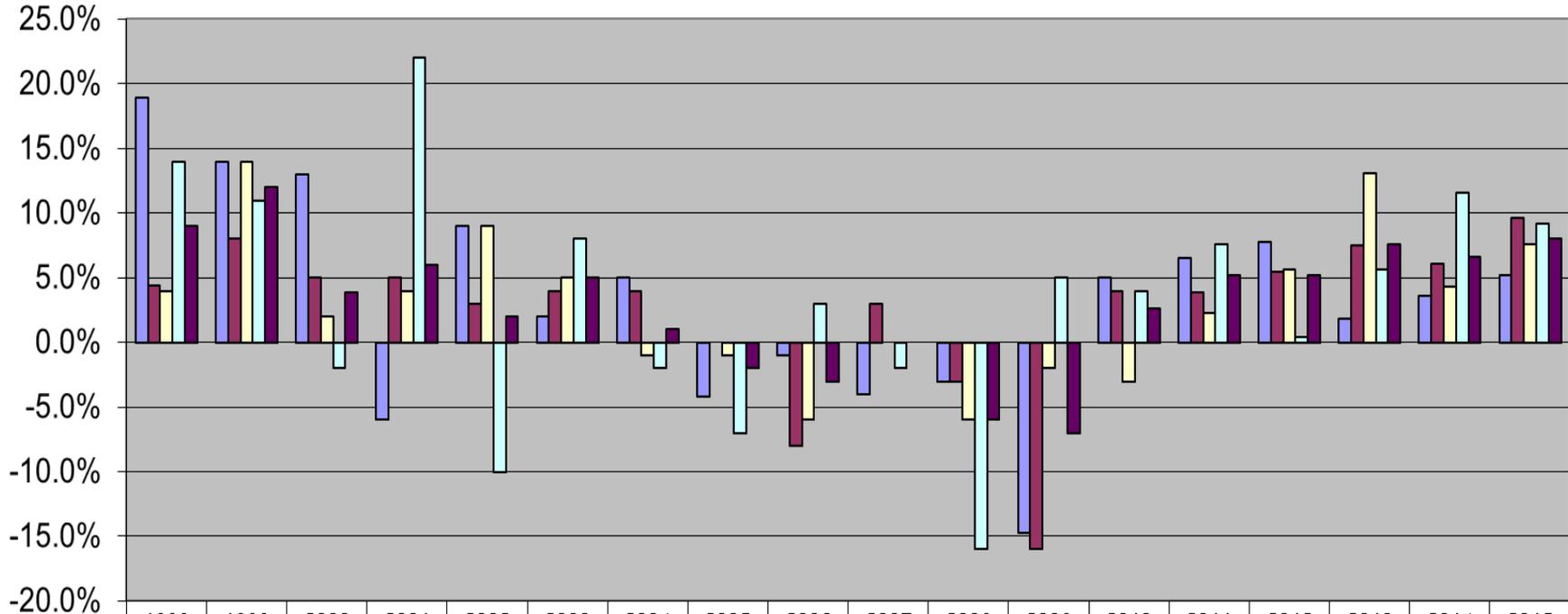
Year-Over-Year Percent Change



Quarter & Calendar Year

Auto/Transportation Taxable Sales

Year-Over-Year Percent Change

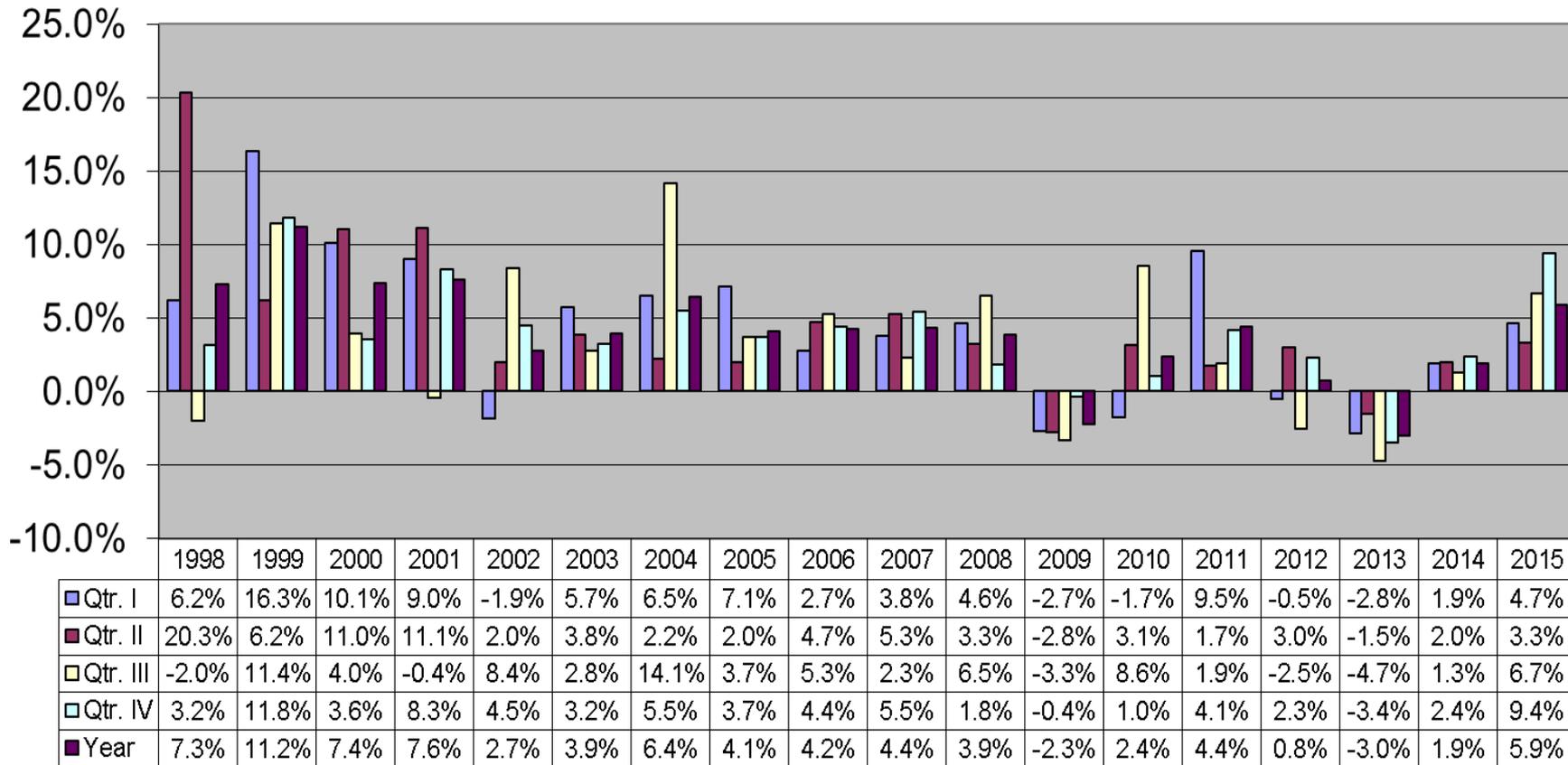


	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Qtr. I	18.9%	14.0%	13.0%	-6.0%	9.0%	2.0%	5.0%	-4.2%	-1.0%	-4.0%	-3.0%	-14.7%	5.0%	6.5%	7.8%	1.8%	3.6%	5.2%
■ Qtr. II	4.4%	8.0%	5.0%	5.0%	3.0%	4.0%	4.0%	0.0%	-8.0%	3.0%	-3.0%	-16.0%	4.0%	3.9%	5.5%	7.5%	6.1%	9.6%
■ Qtr. III	4.0%	14.0%	2.0%	4.0%	9.0%	5.0%	-1.0%	-1.0%	-6.0%	0.0%	-6.0%	-2.0%	-3.0%	2.3%	5.6%	13.1%	4.3%	7.6%
■ Qtr. IV	14.0%	11.0%	-2.0%	22.0%	-10.0%	8.0%	-2.0%	-7.0%	3.0%	-2.0%	-16.0%	5.0%	4.0%	7.6%	0.4%	5.6%	11.6%	9.2%
■ Year	9.0%	12.0%	3.9%	6.0%	2.0%	5.0%	1.0%	-2.0%	-3.0%	0.0%	-6.0%	-7.0%	2.6%	5.2%	5.2%	7.6%	6.6%	8.0%

Quarter & Calendar Year

Individual Income Tax Withholding

Year-Over-Year Percent Change

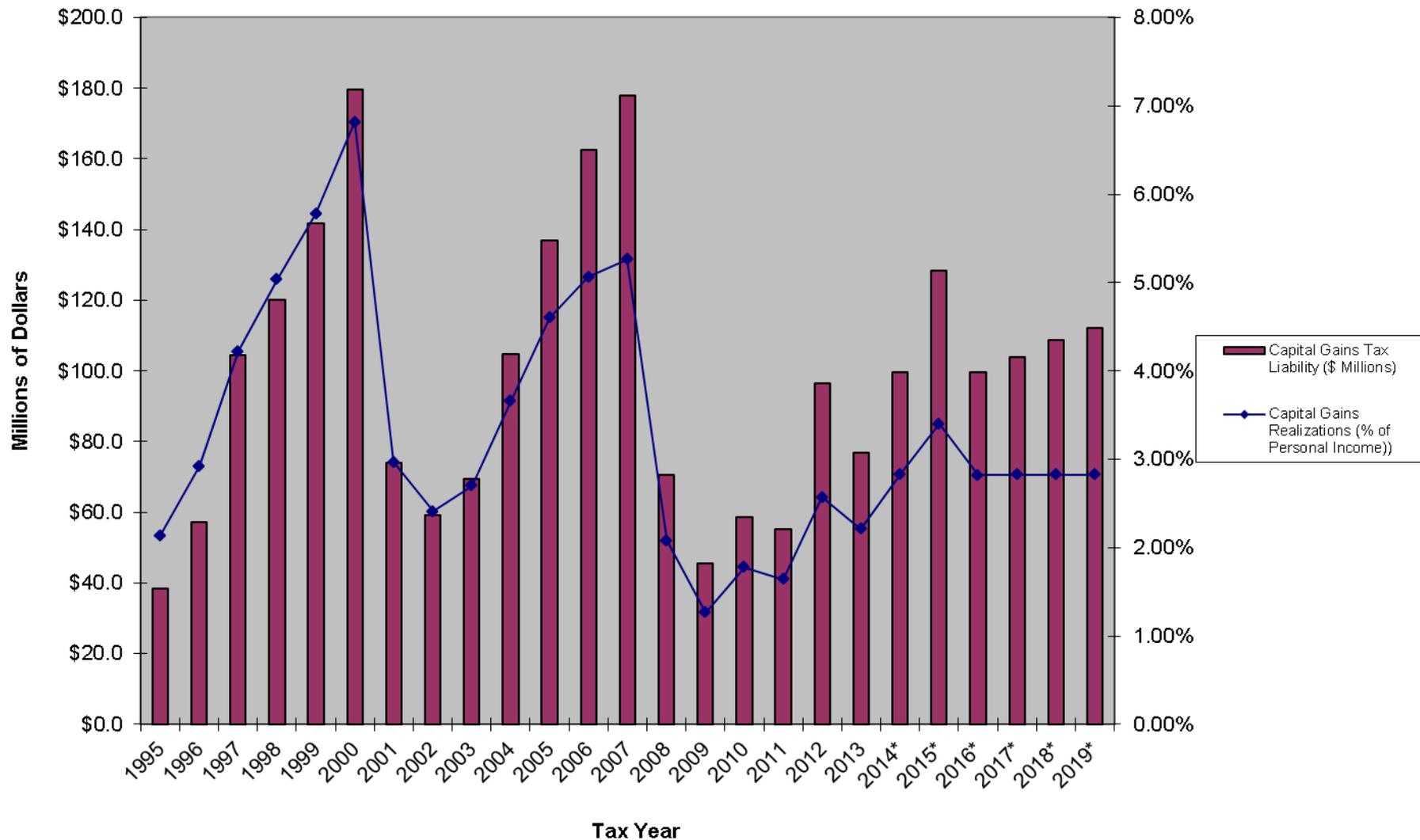


Quarter & Calendar Year

Maine Resident - Net Capital Gains

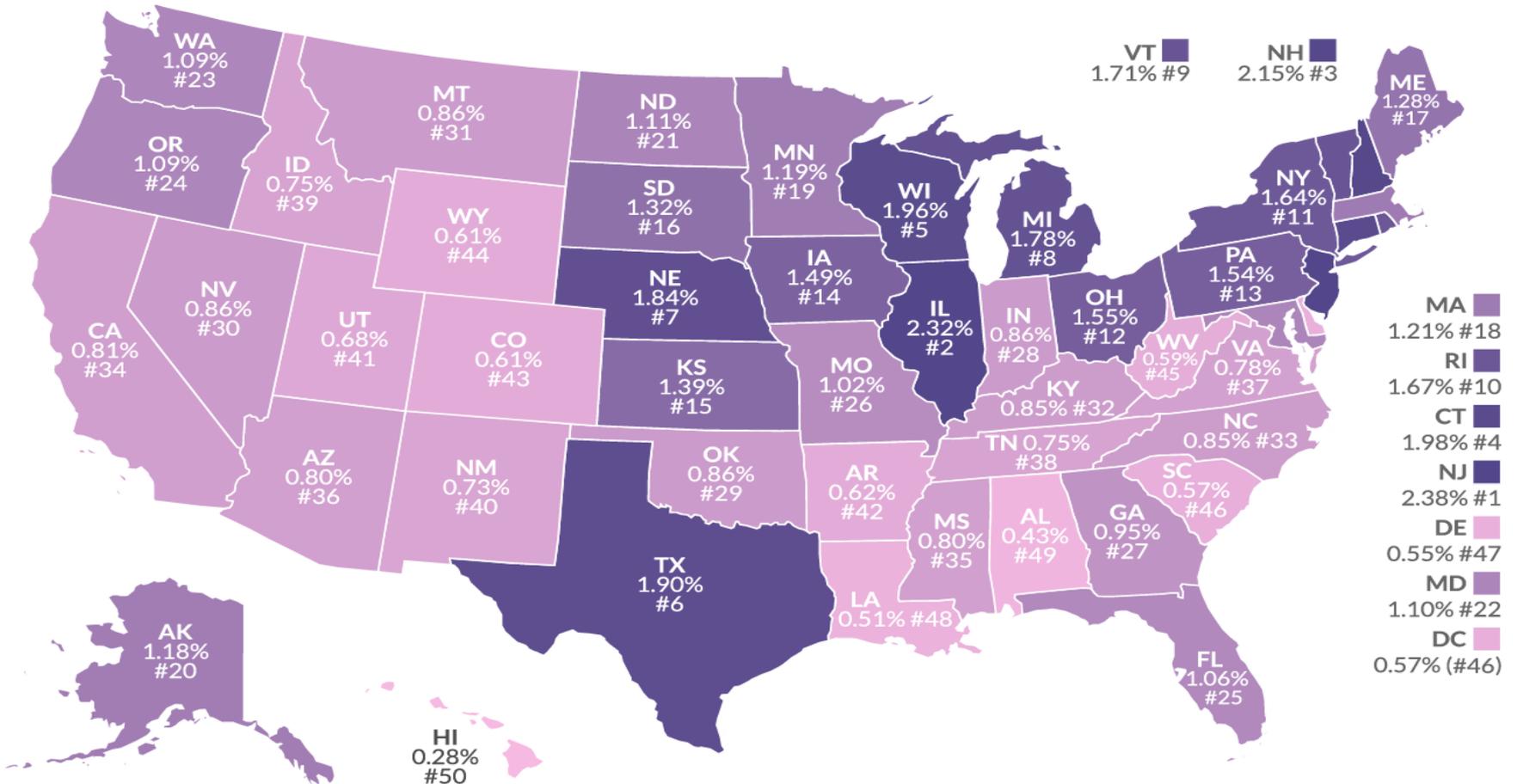
<u>Tax Year</u>	<u>Capital Gains Realizations (\$ Millions)</u>	<u>Capital Gains Realizations Annual % Change</u>	<u>Capital Gains Tax Liability (\$ Millions)</u>	<u>Capital Gains Tax Liability Annual % Change</u>	<u>Capital Gains % of Resident Tax Liability</u>	<u>Resident Income Tax Liability</u>
1995	\$551.7		\$38.3		6.2%	\$620.1
1996	\$799.7	45.0%	\$57.3	49.6%	8.4%	\$682.2
1997	\$1,218.7	52.4%	\$104.5	82.4%	13.6%	\$771.1
1998	\$1,551.0	27.3%	\$120.0	14.8%	13.9%	\$861.4
1999	\$1,867.2	20.4%	\$141.7	18.1%	15.5%	\$916.7
2000	\$2,360.4	26.4%	\$179.6	26.7%	17.3%	\$1,038.8
2001	\$1,079.3	-54.3%	\$74.1	-58.7%	7.6%	\$970.9
2002	\$908.8	-15.8%	\$59.1	-20.3%	6.1%	\$971.7
2003	\$1,069.4	17.7%	\$69.4	17.4%	6.8%	\$1,020.8
2004	\$1,526.9	42.8%	\$104.9	51.2%	9.2%	\$1,146.0
2005	\$1,960.3	28.4%	\$137.0	30.6%	11.3%	\$1,208.7
2006	\$2,280.1	16.3%	\$162.5	18.6%	12.6%	\$1,289.1
2007	\$2,470.4	8.3%	\$177.9	9.5%	13.0%	\$1,369.6
2008	\$1,017.0	-58.8%	\$70.7	-60.3%	5.6%	\$1,269.1
2009	\$615.7	-39.5%	\$45.6	-35.6%	3.8%	\$1,189.2
2010	\$876.7	42.4%	\$58.6	28.6%	4.6%	\$1,266.7
2011	\$840.4	-4.1%	\$55.4	-5.5%	4.3%	\$1,290.4
2012	\$1,352.6	60.9%	\$96.5	74.4%	6.9%	\$1,399.4
2013	\$1,161.4	-14.1%	\$77.0	-20.2%	6.1%	\$1,268.2
2014*	\$1,535.7	32.2%	\$99.6	29.3%	7.5%	\$1,336.2
2015*	\$1,906.2	24.1%	\$128.3	28.9%	9.0%	\$1,433.5
2016*	\$1,639.4	-14.0%	\$99.5	-22.4%	7.3%	\$1,360.2
2017*	\$1,707.3	4.1%	\$103.9	4.4%	7.2%	\$1,435.5
2018*	\$1,770.5	3.7%	\$108.7	4.6%	7.2%	\$1,505.7
2019*	\$1,828.6	3.3%	\$112.1	3.1%	7.2%	\$1,561.5
* Represents Projections.						

Taxes from Net Capital Gains and Net Capital Gains as Percent of Personal Income



How High Are Property Taxes in Your State?

Mean Effective Property Tax Rates on Owner-Occupied Housing

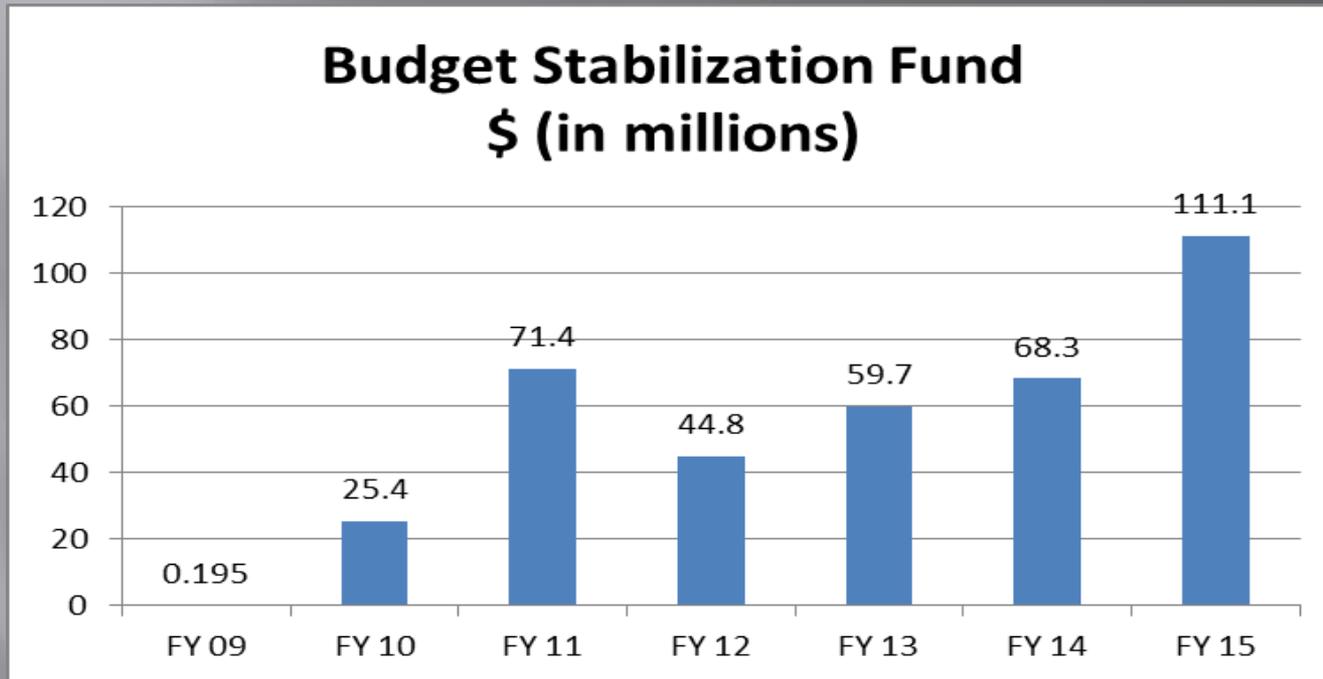


Notes: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid divided by total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect other states' rankings, but the figure in parentheses indicates where it would rank if included.

Source: U.S. Census Bureau; Tax Foundation.



General Fund Reserves



Budget Stabilization Fund

- ▣ Current balance of \$111.1 million represents 3.3% of FY15 General Fund Revenues or approximately 8.5 work days.
- ▣ Title 5, Sec. 1532 sets BSF cap at 18% of previous fiscal year's GF revenues; approximately \$600 million or 46 work days.
- ▣ Recent Boston Federal Reserve Report (October, 2015) estimates the cap on Maine's BSF should be between 10 and 15%

“Stress Test” Revenues and Expenditures

- ▣ Use the current baseline economic forecast from the CEFC and model three alternative scenarios:
 - Mild recession
 - Severe recession
 - Recovery Gains Momentum
- ▣ Include expenditure side

Long-Term Issues

▣ Demographics

- How aging population affects income and sales tax forecasts
- Kansas City Federal Reserve Study (2013): Only HI, NC and VA expected to see larger percentage change in per capita income tax revenue, and only ND expected to see larger percentage decrease in total income tax revenue.
- Only AK, CO and HI projected to see larger percentage change in per capita taxable expenditures, and only IA, NE, ND, SD, WV and WY expected to see larger percentage decrease in total taxable expenditures.
- Office of Tax Policy plans on developing similar study after legislative session