

SECTION VI – STATE AND LOCAL TAX BURDENS

This section provides a historical look at Maine’s state and local tax burdens. For the purposes of the compendium, tax burden is portrayed by two relatively simple measures: taxes as a percent of personal income and taxes per capita. The “taxes” included in this analysis are all state and local taxes, which includes most license fees and assessments. This definition of “taxes” mirrors that used by the United States Department of Commerce, Bureau of Census. The analysis breaks out the major broad based taxes (the income taxes, the sales and use taxes and local property taxes).

These taxes are then divided by Maine’s personal income and population to present taxes as a percentage of personal income and taxes per capita amounts. Personal income and population data are from the United States Department of Commerce, Bureau of Economic Analysis and Bureau of Census and Maine’s State Planning Office. This year’s report also provides an inflation adjusted analysis of per capita income to compare the “real” or inflation adjusted growth of state and local taxes to population.

As mentioned above, this section represents relatively simple measures of tax burden that are often used to compare tax burdens for all states. The Research Division of Maine Revenue Services within the Department of Administrative and Financial Services presents a much more comprehensive analysis of Maine’s tax burden in its report, *Maine Tax Incidence Study: A Distributional Analysis of Maine’s State and Local Taxes*. The report is required to be updated biennially by M.R.S.A. 36 §200.

In an effort to get “credit” in the national rankings for some major tax relief programs funded by General Fund appropriations, the accounting treatment of these programs was changed. Beginning in fiscal year 2005, the method of funding the Maine Residents Property Tax program was changed from a direct General Fund appropriation to a deduction from the Individual Income Tax revenue. The method of funding the Business Equipment Tax Reimbursement program changed similarly beginning in fiscal year 2006. Although reported by the State as reductions of individual income tax revenue, these reductions of individual income tax revenue are considered transfers by the Bureau of Census. As a consequence, the Bureau of Census reduces neither the calculation of the Maine’s individual income tax nor Maine’s tax burden as a result of these tax relief program expenditures. The analysis in this section mirrors the Bureau of Census treatment of these tax relief programs and does not reduce individual income tax or tax burden for these tax reimbursement program costs. The table below summarizes the impact on tax burden if the transfers were calculated as a reduction to total state and local taxes.

**Reductions to Tax Burden from
inclusion of Tax Relief Programs**

Fiscal Year	Per Capita	As a % of Personal Income
2005	(\$20)	-0.07%
2006	(\$84)	-0.10%
2007	(\$84)	-0.10%
2008	(\$87)	-0.10%