

**A Distributional Analysis of the Governor's Tax Reform  
& Relief Proposal**

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**Maine Revenue Services**

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## **Introduction:**

On January 9, 2015 Governor LePage released his biennial budget that included a comprehensive tax reform and relief proposal. The tax package is designed to modernize Maine's tax system by making it more competitive, simpler, stable and fair.<sup>1</sup> These objectives are some of the common attributes of a good tax system and are often times in conflict with one another. Each of these goals was an important factor in the development of the Governor's tax plan; therefore all should be taken into consideration when engaging in a full evaluation of the Governor's proposal. This paper addresses the goal of fairness or equity of the Governor's tax proposal.

The fairness of a tax system is typically discussed in terms of horizontal and vertical equity. Horizontal equity refers to the tax burden imposed on two similarly situated taxpayers. Horizontal equity would apply the same tax burden to taxpayers with the same ability to pay. While this may appear to be a simple concept, there is certainly disagreement over what "similarly situated" means. If equal incomes (i.e. equal ability to pay) is the sole definition of similarly situated then there is less controversy, but tax systems traditionally provide preferential treatment through exemptions, exclusions or deductions for sources of income or types of consumption that policymakers view as affecting a taxpayer's ability to pay (e.g. medical expenses, home ownership, etc.).

Vertical equity compares the tax burdens of taxpayers with different abilities to pay. Progressivity or regressivity are the traditional terms used by economists to describe the vertical equity of a tax or system of taxes. Similar to horizontal equity, there is no agreed upon result that is considered to be the most fair in terms of vertical equity. A progressive tax is one where the effective tax rate (i.e. average tax rate) increases with income. A regressive tax is the opposite; the effective tax rate decreases with income. Finally a proportional tax is a "flat tax" where everyone across the income distribution has the same effective tax rate.

Because of their reliance on consumption and property taxes, state and local tax systems tend to be relatively regressive. State and local governments offset the regressivity of their systems through exemptions, exclusions, and deductions from the sales and property tax bases, and in many cases a

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<sup>1</sup> See <http://www.maine.gov/budget/documents/2016-2017StateofMaineBiennialBudgetBriefing.pdf> for a summary of the tax reform package.

progressive income tax that includes refundable credits. Maine policymakers have utilized all of these approaches to make the state and local tax system one of the least regressive in the country.<sup>2</sup>

This report presents information on the distributional impact of Governor LePage's proposal to restructure the state's tax system and provide significant tax relief to Maine residents. Most of the tables, data and analysis presented below are focused on calendar year 2016, the first full year impacted by the tax changes and 2019 when tax changes modeled in the distributional analysis are fully phased-in.

The taxes included in this distributional analysis are the same as those included in the Maine Tax Incidence Study issued earlier this month; individual income tax, consumer sales and excise taxes and residential property taxes net of the Homestead Exemption. As discussed in the incidence study, the incidence of the corporate income tax and the estate tax are difficult to determine, particularly at the state and local level, and therefore are excluded from this report. While the corporate income tax and estate tax provisions are important components of the tax reform plan, they are relatively small in their budgetary impact, and likely have minimal effect on the distribution of Maine's state and local tax burden.<sup>3</sup>

The findings of this analysis is that the combined tax burden of individual income, sales and excise, and residential property taxes is reduced from 7.62% to 7.09% in CY16 as a result of the changes proposed by Governor LePage in his tax reform and relief plan. The Office of Tax Policy estimates that Maine resident tax families will realize a net reduction in direct state and local taxes of \$238 million in calendar year 2016. The level of tax reduction rises to \$292 million in CY19 when the individual income tax rate changes are fully phased-in. In CY19 the effective tax rate from state and local taxes under the proposal is estimated to be 6.95%, an 11% reduction from the CY15 tax burden estimated under current law.

All deciles see a net reduction in tax burden, with the bottom 20% of Maine households seeing the greatest reduction in burden. Using the Suits Index as a measure of the progressivity of the tax changes, it's estimated that the tax system under the Governor's proposal is very similar in its level of progressivity to the current system.

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<sup>2</sup> The Institute on Taxation & Economic Policy (ITEP) regularly assesses the fairness of state and local tax systems. The latest report from ITEP (January, 2015) estimated that Maine had the 44<sup>th</sup> most unfair state and local tax system in the country.

<sup>3</sup> The economic incidence of sales taxes statutorily imposed on businesses is also excluded for reasons similar to the corporate income tax.

### **Impact of State & Local Taxes in CY16:**

Tables 1 and 2 present the distribution of individual income, sales and excise, and residential property taxes for CY16 under current law and the Governor's tax reform proposal, respectively. The individual income tax represents the income tax liability estimated to be paid by Maine resident tax families for the income tax year beginning January 1, 2016. Sales and excise taxes are the estimated taxes paid by resident consumers for purchases made during calendar 2016. Property taxes represent the amount owed by Maine resident owners on their principal residence for property assessed on April 1, 2016.

It's estimated that Maine residents will have a combined tax liability of \$3.46 billion in CY16 under current law; 7.62% of their expanded income. The effective tax rate of the individual income tax is projected to be 3.21% under current law, the sales and excise tax 2.07% and the residential property tax 2.34%. The bottom quintile of tax families is projected to have a total tax burden of 7.73%, slightly higher than the average for all tax families. The top 10% of families is estimated to have an effective tax rate of 7.95%. Overall the effective tax rate is relatively proportional across the income distribution.

The Governor's tax reform and relief proposal is estimated to have a combined tax liability of \$3.222 billion in CY16, providing \$238 million of direct tax relief to Maine resident families in the first full year of the proposal. \$517.4 million of individual income tax relief is offset by \$256 million of increased sales tax and \$24 million of increased property taxes. The bottom quintile of families are estimated to have a reduction in their effective tax of almost two percentage points (7.73% to 5.83%), while the top decile will experience a 0.5 percentage point reduction in tax burden (7.95% to 7.44%). The expansion of the Property Tax Fairness Credit (PTFC) and the new Sales Tax Fairness Credit (STFC) provides significant tax relief for the bottom quintile of tax families, offsetting the regressive increase in sales taxes.<sup>4</sup>

Table 3 presents information on the average tax reduction and number of families with a tax decrease and increase by decile. Note, Table 3 does not include excise taxes since the proposal does not impact these taxes. OTP estimates that in CY16 the average net tax cut will be \$340, with 79% of Maine families getting an average tax cut of \$494 and 21% of families having an average tax increase of \$251. The \$238 million net reduction in state and local taxes represents an average tax cut of 7.5% for Maine families. Appendix A provides similar tables for each of the taxes impacted by the proposal.

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<sup>4</sup> The distribution tables and fiscal note assume all those eligible for the STFC apply, and full participation for the PTFC for those tax filers required to file an income tax return.

**Table 1**  
**Maine Resident Taxes, 2016**

Expanded income			Income Tax			Sales + Excise Tax			Property Tax			All Taxes Combined		
<u>Percentile</u>	<u>Income Range</u>	<u>Aggregate Amount (\$ MIL)</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>
Bottom 20	\$ Infinity <= 18229	\$1,410.0	-\$12.8	-0.9%	-0.91%	\$82.4	8.8%	5.85%	\$39.4	3.7%	2.80%	\$109.0	3.2%	7.73%
20-30	18229 <= 25232	\$1,504.9	-\$0.1	0.0%	-0.01%	\$56.1	6.0%	3.73%	\$40.5	3.8%	2.69%	\$96.4	2.8%	6.41%
30-40	25232 <= 33296	\$2,053.6	\$17.4	1.2%	0.85%	\$63.5	6.8%	3.09%	\$56.0	5.3%	2.73%	\$137.0	4.0%	6.67%
40-50	33296 <= 42557	\$2,661.8	\$34.6	2.4%	1.30%	\$75.3	8.0%	2.83%	\$75.5	7.1%	2.84%	\$185.5	5.4%	6.97%
50-60	42557 <= 53725	\$3,352.3	\$65.6	4.5%	1.96%	\$89.4	9.5%	2.67%	\$101.4	9.6%	3.03%	\$256.4	7.4%	7.65%
60-70	53725 <= 67879	\$4,249.5	\$97.2	6.7%	2.29%	\$92.2	9.8%	2.17%	\$134.2	12.6%	3.16%	\$323.6	9.4%	7.62%
70-80	67879 <= 88929	\$5,430.2	\$138.2	9.5%	2.54%	\$113.3	12.0%	2.09%	\$159.2	15.0%	2.93%	\$410.8	11.9%	7.56%
80-90	88929 <= 124812	\$7,334.9	\$236.2	16.2%	3.22%	\$126.2	13.4%	1.72%	\$193.2	18.2%	2.63%	\$555.5	16.1%	7.57%
Top 10 percent	124812 <= \$ Infinity	\$17,420.5	\$881.2	60.5%	5.06%	\$242.3	25.8%	1.39%	\$262.2	24.7%	1.51%	\$1,385.8	40.1%	7.95%
Totals		\$45,417.6	\$1,457.5	100.0%	3.21%	\$940.9	100.0%	2.07%	\$1,061.6	100.0%	2.34%	\$3,460.1	100.0%	7.62%
<u>Addendum</u>														
90-95	124812 <= 167527	\$5,004.1	\$199.9	13.7%	4.00%	\$71.9	7.6%	1.44%	\$113.8	10.7%	2.27%	\$385.6	11.1%	7.71%
95-99	167527 <= 362145	\$6,258.9	\$300.8	20.6%	4.81%	\$87.5	9.3%	1.40%	\$114.0	10.7%	1.82%	\$502.3	14.5%	8.03%
Top 1 percent	362145 <= \$ Infinity	\$6,157.5	\$380.5	26.1%	6.18%	\$83.0	8.8%	1.35%	\$34.3	3.2%	0.56%	\$497.8	14.4%	8.08%

**Table 2**  
**Maine Resident Taxes Under Governor's Budget, 2016**

Expanded income			Income Tax			Sales + Excise Tax			Property Tax			All Taxes Combined		
Percentile	Income Range	Aggregate Amount (\$ MIL)	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate
Bottom 20	\$ Infinity <= 18229	\$1,410.0	-\$58.9	-6.3%	-4.18%	\$101.0	8.4%	7.17%	\$40.1	3.7%	2.84%	\$82.2	2.6%	5.83%
20-30	18229 <= 25232	\$1,504.9	-\$28.0	-3.0%	-1.86%	\$69.3	5.8%	4.60%	\$41.0	3.8%	2.72%	\$82.2	2.6%	5.46%
30-40	25232 <= 33296	\$2,053.6	-\$13.5	-1.4%	-0.66%	\$78.7	6.6%	3.83%	\$57.1	5.3%	2.78%	\$122.4	3.8%	5.96%
40-50	33296 <= 42557	\$2,661.8	\$1.3	0.1%	0.05%	\$94.2	7.9%	3.54%	\$76.9	7.1%	2.89%	\$172.4	5.4%	6.48%
50-60	42557 <= 53725	\$3,352.3	\$29.3	3.1%	0.87%	\$111.6	9.3%	3.33%	\$103.4	9.5%	3.09%	\$244.4	7.6%	7.29%
60-70	53725 <= 67879	\$4,249.5	\$56.2	6.0%	1.32%	\$116.3	9.7%	2.74%	\$137.4	12.7%	3.23%	\$309.9	9.6%	7.29%
70-80	67879 <= 88929	\$5,430.2	\$87.7	9.3%	1.62%	\$143.3	12.0%	2.64%	\$163.2	15.0%	3.00%	\$394.2	12.2%	7.26%
80-90	88929 <= 124812	\$7,334.9	\$157.3	16.7%	2.14%	\$162.1	13.5%	2.21%	\$198.7	18.3%	2.71%	\$518.1	16.1%	7.06%
Top 10 percent	124812 <= \$ Infinity	\$17,420.5	\$708.8	75.4%	4.07%	\$320.0	26.7%	1.84%	\$267.6	24.7%	1.54%	\$1,296.3	40.2%	7.44%
Totals		\$45,417.6	\$940.2	100.0%	2.07%	\$1,196.5	100.0%	2.63%	\$1,085.3	100.0%	2.39%	\$3,222.0	100.0%	7.09%
<u>Addendum</u>														
90-95	124812 <= 167527	\$5,004.1	\$141.6	15.1%	2.83%	\$94.2	7.9%	1.88%	\$116.8	10.8%	2.33%	\$352.5	10.9%	7.04%
95-99	167527 <= 362145	\$6,258.9	\$240.1	25.5%	3.84%	\$115.4	9.6%	1.84%	\$116.0	10.7%	1.85%	\$471.5	14.6%	7.53%
Top 1 percent	362145 <= \$ Infinity	\$6,157.5	\$327.2	34.8%	5.31%	\$110.4	9.2%	1.79%	\$34.8	3.2%	0.56%	\$472.3	14.7%	7.67%

**Table 3**  
**Maine Resident Income + Sales + Property Tax in 2016, Current Law and Budget Tax Reform Plan**

Tax year 2016

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Current Law				Tax Reform							Families with an income tax cut			Families with an income tax increase		
	Tax	Tax	Percentage	Tax	Percentage	Change in Tax	Percent	Average	Share of		Change in Tax	Average		Change in Tax	Average	
<u>Expanded income</u>	<u>Tax</u>	<u>Liability</u>	<u>Distribution</u>	<u>Liability</u>	<u>Distribution</u>	<u>Liability</u>	<u>Change</u>	<u>Tax</u>	<u>tax cut</u>	<u>Number of</u>	<u>Liability</u>	<u>Tax</u>	<u>Number of</u>	<u>Liability</u>	<u>Tax</u>	
	<u>Families</u>	<u>(\$ MIL)</u>		<u>(\$ MIL)</u>		<u>(\$ MIL)</u>		<u>Change</u>	<u>(percent)</u>	<u>families</u>	<u>(\$ MIL)</u>	<u>Decrease</u>	<u>families</u>	<u>(\$ MIL)</u>	<u>Increase</u>	
-\$ Infinity <= 18229	140,167	\$76.4	2.4%	\$49.6	1.7%	-\$26.8	-35.1%	-\$191	11.3%	125,627	-\$27.6	-\$220	9,913	\$0.8	\$81	
18229 <= 25232	70,082	\$75.8	2.4%	\$61.5	2.1%	-\$14.2	-18.8%	-\$203	6.0%	52,160	-\$15.4	-\$294	17,922	\$1.1	\$62	
25232 <= 33296	70,084	\$115.0	3.6%	\$100.4	3.4%	-\$14.6	-12.7%	-\$209	6.2%	56,151	-\$16.5	-\$295	13,933	\$1.9	\$136	
33296 <= 42557	70,083	\$159.0	5.0%	\$145.9	4.9%	-\$13.1	-8.2%	-\$187	5.5%	49,596	-\$16.5	-\$333	20,487	\$3.4	\$166	
42557 <= 53725	70,084	\$225.7	7.1%	\$213.6	7.2%	-\$12.0	-5.3%	-\$172	5.1%	47,265	-\$17.9	-\$378	22,819	\$5.8	\$256	
53725 <= 67879	70,085	\$297.3	9.3%	\$283.5	9.6%	-\$13.7	-4.6%	-\$196	5.8%	48,059	-\$20.8	-\$433	22,026	\$7.1	\$322	
67879 <= 88929	70,080	\$378.8	11.9%	\$362.2	12.3%	-\$16.6	-4.4%	-\$237	7.0%	51,830	-\$23.1	-\$445	18,251	\$6.5	\$355	
88929 <= 124812	70,083	\$524.3	16.4%	\$486.9	16.5%	-\$37.4	-7.1%	-\$534	15.7%	60,132	-\$41.3	-\$687	9,951	\$3.9	\$390	
124812 <= \$ Infinity	70,082	\$1,340.2	42.0%	\$1,250.8	42.3%	-\$89.4	-6.7%	-\$1,276	37.6%	62,958	-\$94.6	-\$1,503	7,124	\$5.2	\$727	
<b>Totals</b>	<b>700,832</b>	<b>\$3,192.5</b>	<b>100.0%</b>	<b>\$2,954.5</b>	<b>100.0%</b>	<b>-\$238.0</b>	<b>-7.5%</b>	<b>-\$340</b>	<b>100.0%</b>	<b>553,779</b>	<b>-\$273.7</b>	<b>-\$494</b>	<b>142,426</b>	<b>\$35.7</b>	<b>\$250.5</b>	
<u>Top Decile Decomposition: 90-95, 95-99, and 99+ :</u>																
124812 <= 167527	35,041	\$371.4	11.6%	\$338.3	11.4%	-\$33.1	-8.9%	-\$945	13.9%	31,563	-\$34.8	-\$1,104	3,478	\$1.7	\$497.3	
167527 <= 362145	28,035	\$485.8	15.2%	\$454.9	15.4%	-\$30.8	-6.3%	-\$1,100	13.0%	24,974	-\$32.9	-\$1,319	3,061	\$2.1	\$682.3	
362145 <= \$ Infinity	7,006	\$483.1	15.1%	\$457.6	15.5%	-\$25.5	-5.3%	-\$3,638	10.7%	6,422	-\$26.9	-\$4,182	584	\$1.4	\$2,334.3	

Table 4 shows the Suits Index for 2016 taxes under current law (C.L.) and the proposed law (P.L.).<sup>5</sup> The expansion of the PTFC, the introduction of the STFC and the expansion of the zero percent tax which provide income tax relief to lower and middle income households, combined with repeal of itemized deductions and the “bubble bracket” increase the Suits Index for the individual income tax significantly. The relative regressivity of the sales tax is lessened by expansion of the sales tax into services traditionally purchased by upper-income households and the lowering of the tax rate on prepared foods to 6.5%. The impact of the repeal of the Homestead Exemption for homeowners under the age of 65 and the doubling of the exemption for those over the age of 65 leaves the Suits Index for the residential property tax essentially unchanged. Overall the Suits Index indicates the tax system becomes slightly more progressive under the Governor’s tax reform and relief proposal.

Table 4		
Suits Indexes for Maine State & Local Taxes - CY16		
Tax Category	C.L.	P.L.
Individual Income Tax	0.29	0.51
Consumer Sales & Excise Taxes	-0.21	-0.19
Total State Taxes	0.10	0.12
Property Taxes		
Residential Property Tax	-0.14	-0.14
Total State and Local Taxes	0.02	0.03

**Impact of State & Local Taxes in CY19:**

Tables 5 and 6 present the distribution of individual income, sales and excise, and residential property taxes for CY19, the year that the individual income tax rate changes are fully phased-in.

It’s estimated that Maine residents will have a combined tax liability of \$3.8 billion in CY19; 7.53% of their expanded income. The effective tax rate of the individual income tax is projected to be 3.17% under current law, the sales and excise tax 2.06% and the residential property tax 2.3%. The bottom

<sup>5</sup> The Suits Index is a generally accepted index of how progressive or regressive any given tax or tax system is. The index varies from +1 at the extreme of progressivity where the entire tax burden is borne by members of the highest income bracket, through 0 for a proportional tax, to -1 at the extreme of regressivity at which the entire tax burden is borne by members of the lowest income bracket.



quintile of tax families is projected to have a total tax burden of 7.42%, slightly lower than the average for all tax families. The top 10% of families is estimated to have an effective tax rate of 7.87%. Similar to CY16, the overall effective tax rate is relatively proportional across the income distribution.

The Governor's tax reform and relief proposal is estimated to have a combined tax liability of \$3.512 billion in CY19, providing \$292 million of direct tax relief to Maine resident families. \$605 million of individual income tax relief is offset by \$289 million of increased sales tax and \$24 million of increased property taxes. The bottom quintile of families are estimated to have a reduction in their effective tax of almost 1.5 points (7.42% to 5.94%), while the top decile will experience a 0.8 percentage point reduction in tax burden (7.87% to 7.08%). Even with the income tax rate reductions being fully phased-in in TY19, the bottom quintile of tax families still have a lower effective tax rate than the top 10% of families.<sup>6</sup>

Table 7 presents information on the average tax reduction and number of families with a tax decrease and increase by decile for 2019. Similar to Table 3, Table 7 does not include excise taxes. OTP estimates that in CY19 the average net tax cut will be \$292 million, with 76% of Maine families getting an average tax cut of \$416 and 24% of families having an average tax increase of \$292. The \$292 million net reduction in state and local taxes represents an average tax cut of 8.3% for Maine families. Appendix B provides similar tables for each of the taxes impacted by the proposal.

Table 8 shows the Suits Index for 2019 taxes under current law (C.L.) and the proposed law (P.L.). The Suits Index comparison in 2019 is slightly less progressive than the estimates for 2016, but leads to a similar conclusion that the tax system is at least as progressive as the current law system.

**Conclusion:**

The Governor's tax reform and relief proposal is designed to make the state's tax system more competitive while maintaining the same level vertical equity present in the current system. The proposal reaches this balance by reducing income tax rates from some of the highest in the country to near the median of states and providing refundable credits to ensure that lower and lower-middle income families are protected. The tables presented in this report support the findings of the Suits Index analysis that the state's tax system will be at least as progressive under the tax reform and relief

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<sup>6</sup> The inclusion of the federal tax offset in this analysis does not result in a different conclusion with regard the change in progressivity.

proposal as current law. All of is achieved while providing Maine resident tax families a tax cut of approximately \$300 million a year by 2019.

**Table 5**  
**Maine Resident Taxes, 2019**

Expanded income			Income Tax			Sales + Excise Tax			Property Tax			All Taxes Combined			
<u>Percentile</u>	<u>Income Range</u>		<u>Aggregate Amount (\$ MIL)</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>
Bottom 20	\$ Infinity <=	21073	\$1,730.5	-\$12.5	-0.8%	-0.72%	\$95.9	9.2%	5.54%	\$44.9	3.9%	2.59%	\$128.3	3.4%	7.42%
20-30	21073 <=	29522	\$1,739.3	\$2.4	0.1%	0.14%	\$56.6	5.4%	3.26%	\$44.5	3.8%	2.56%	\$103.5	2.7%	5.95%
30-40	29522 <=	37827	\$2,332.0	\$24.1	1.5%	1.03%	\$70.0	6.7%	3.00%	\$61.8	5.3%	2.65%	\$155.9	4.1%	6.69%
40-50	37827 <=	48881	\$3,086.2	\$46.1	2.9%	1.49%	\$86.9	8.4%	2.81%	\$86.0	7.4%	2.79%	\$219.0	5.8%	7.10%
50-60	48881 <=	60224	\$3,810.4	\$83.4	5.2%	2.19%	\$92.2	8.9%	2.42%	\$113.3	9.8%	2.97%	\$288.9	7.6%	7.58%
60-70	60224 <=	74664	\$4,707.3	\$110.2	6.9%	2.34%	\$105.5	10.1%	2.24%	\$146.5	12.6%	3.11%	\$362.2	9.5%	7.69%
70-80	74664 <=	96495	\$5,955.4	\$145.8	9.1%	2.45%	\$123.7	11.9%	2.08%	\$176.3	15.2%	2.96%	\$445.7	11.7%	7.48%
80-90	96495 <=	133686	\$7,909.4	\$247.9	15.5%	3.13%	\$130.5	12.6%	1.65%	\$208.8	18.0%	2.64%	\$587.2	15.4%	7.42%
Top 10 percent	133686 <=	\$ Infinity	\$19,236.7	\$955.6	59.6%	4.97%	\$278.5	26.8%	1.45%	\$279.2	24.0%	1.45%	\$1,513.2	39.8%	7.87%
Totals			\$50,507.1	\$1,602.9	100.0%	3.17%	\$1,039.8	100.0%	2.06%	\$1,161.2	100.0%	2.30%	\$3,803.9	100.0%	7.53%
<u>Addendum</u>															
90-95	133686 <=	178450	\$5,358.7	\$209.9	13.1%	3.92%	\$80.4	7.7%	1.50%	\$122.5	10.5%	2.29%	\$412.8	10.9%	7.70%
95-99	178450 <=	392094	\$6,690.4	\$314.0	19.6%	4.69%	\$96.6	9.3%	1.44%	\$120.4	10.4%	1.80%	\$531.0	14.0%	7.94%
Top 1 percent	392094 <=	\$ Infinity	\$7,187.6	\$431.6	26.9%	6.01%	\$101.5	9.8%	1.41%	\$36.3	3.1%	0.50%	\$569.4	15.0%	7.92%

**Table 6**  
**Maine Resident Taxes Under Governor's Budget, 2019**

<b>Expanded income</b>			<b>Income Tax</b>			<b>Sales + Excise Tax</b>			<b>Property Tax</b>			<b>All Taxes Combined</b>			
<u>Percentile</u>	<u>Income Range</u>		<u>Aggregate Amount (\$ MIL)</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Effective Tax Rate</u>
Bottom 20	\$ Infinity <=	21073	\$1,730.5	-\$61.1	-6.1%	-3.53%	\$118.4	8.9%	6.84%	\$45.5	3.8%	2.63%	\$102.7	2.9%	5.94%
20-30	21073 <=	29522	\$1,739.3	-\$24.9	-2.5%	-1.43%	\$70.4	5.3%	4.05%	\$44.9	3.8%	2.58%	\$90.4	2.6%	5.20%
30-40	29522 <=	37827	\$2,332.0	-\$7.2	-0.7%	-0.31%	\$87.2	6.6%	3.74%	\$63.1	5.3%	2.71%	\$143.2	4.1%	6.14%
40-50	37827 <=	48881	\$3,086.2	\$12.3	1.2%	0.40%	\$109.2	8.2%	3.54%	\$87.3	7.4%	2.83%	\$208.8	5.9%	6.77%
50-60	48881 <=	60224	\$3,810.4	\$45.0	4.5%	1.18%	\$115.9	8.7%	3.04%	\$115.7	9.8%	3.04%	\$276.6	7.9%	7.26%
60-70	60224 <=	74664	\$4,707.3	\$68.4	6.9%	1.45%	\$133.5	10.0%	2.84%	\$149.6	12.6%	3.18%	\$351.4	10.0%	7.47%
70-80	74664 <=	96495	\$5,955.4	\$93.1	9.3%	1.56%	\$157.0	11.8%	2.64%	\$180.1	15.2%	3.02%	\$430.1	12.2%	7.22%
80-90	96495 <=	133686	\$7,909.4	\$162.0	16.2%	2.05%	\$169.1	12.7%	2.14%	\$214.3	18.1%	2.71%	\$545.5	15.5%	6.90%
Top 10 percent	133686 <=	\$ Infinity	\$19,236.7	\$710.4	71.2%	3.69%	\$367.9	27.7%	1.91%	\$284.5	24.0%	1.48%	\$1,362.8	38.8%	7.08%
<b>Totals</b>			\$50,507.1	\$998.1	100.0%	1.98%	\$1,328.6	100.0%	2.63%	\$1,185.0	100.0%	2.35%	\$3,511.7	100.0%	6.95%
<u>Addendum</u>															
90-95	133686 <=	178450	\$5,358.7	\$146.1	14.6%	2.73%	\$105.4	7.9%	1.97%	\$125.5	10.6%	2.34%	\$377.0	10.7%	7.04%
95-99	178450 <=	392094	\$6,690.4	\$241.5	24.2%	3.61%	\$127.6	9.6%	1.91%	\$122.3	10.3%	1.83%	\$491.3	14.0%	7.34%
Top 1 percent	392094 <=	\$ Infinity	\$7,187.6	\$322.8	32.3%	4.49%	\$135.0	10.2%	1.88%	\$36.7	3.1%	0.51%	\$494.4	14.1%	6.88%

**Table 7**  
**Maine Resident Income + Sales + Property Tax in 2019, Current Law and Budget Tax Reform Plan**

Tax year 2019

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
<b>Current Law</b>				<b>Tax Reform</b>		<b>Families with an income tax cut</b>				<b>Families with an income tax increase</b>					
<u>Expanded income</u>	<u>Tax Families</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Percent Tax Change</u>	<u>Average Tax Change</u>	<u>Share of tax cut (percent)</u>	<u>Number of families</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Average Tax Decrease</u>	<u>Number of families</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Average Tax Increase</u>
-\$ Infinity <= 21073	140,400	\$92.8	2.6%	\$67.2	2.1%	-\$25.6	-27.6%	-\$182	8.8%	123,643	-\$26.7	-\$216	16,245	\$1.1	\$70
21073 <= 29522	70,198	\$85.2	2.4%	\$72.1	2.2%	-\$13.1	-15.4%	-\$186	4.5%	48,223	-\$15.2	-\$315	21,975	\$2.1	\$97
29522 <= 37827	70,199	\$132.5	3.8%	\$119.8	3.7%	-\$12.7	-9.6%	-\$182	4.4%	53,032	-\$15.4	-\$291	17,167	\$2.7	\$157
37827 <= 48881	70,199	\$190.5	5.4%	\$180.3	5.6%	-\$10.2	-5.3%	-\$145	3.5%	44,855	-\$15.8	-\$351	25,345	\$5.6	\$221
48881 <= 60224	70,204	\$261.7	7.4%	\$249.4	7.7%	-\$12.3	-4.7%	-\$175	4.2%	47,067	-\$19.2	-\$408	23,136	\$6.9	\$298
60224 <= 74664	70,196	\$334.1	9.5%	\$323.3	10.0%	-\$10.7	-3.2%	-\$153	3.7%	44,429	-\$20.1	-\$452	25,767	\$9.3	\$363
74664 <= 96495	70,199	\$412.8	11.7%	\$397.2	12.3%	-\$15.6	-3.8%	-\$222	5.3%	47,667	-\$23.9	-\$501	22,532	\$8.3	\$368
96495 <= 133686	70,198	\$559.0	15.8%	\$517.3	16.0%	-\$41.7	-7.5%	-\$594	14.3%	58,462	-\$46.6	-\$797	11,736	\$4.9	\$420
133686 <= \$ Infinity	70,198	\$1,464.4	41.4%	\$1,314.0	40.5%	-\$150.4	-10.3%	-\$2,142	51.5%	62,686	-\$159.4	-\$2,543	7,512	\$9.0	\$1,202
<b>Totals</b>	<b>701,991</b>	<b>\$3,533.0</b>	<b>100.0%</b>	<b>\$3,240.8</b>	<b>100.0%</b>	<b>-\$292.3</b>	<b>-8.3%</b>	<b>-\$416</b>	<b>100.0%</b>	<b>530,065</b>	<b>-\$342.3</b>	<b>-\$646</b>	<b>171,415</b>	<b>\$50.0</b>	<b>\$292.0</b>
<u>Top Decile Decomposition: 90-95, 95-99, and 99+ :</u>															
133686 <= 178450	35,099	\$397.8	11.3%	\$361.9	11.2%	-\$35.8	-9.0%	-\$1,020	12.3%	31,035	-\$38.0	-\$1,224	4,064	\$2.2	\$537.3
178450 <= 392094	28,080	\$514.0	14.5%	\$474.4	14.6%	-\$39.6	-7.7%	-\$1,411	13.6%	25,219	-\$42.7	-\$1,695	2,861	\$3.1	\$1,092.3
392094 <= \$ Infinity	7,019	\$552.6	15.6%	\$477.7	14.7%	-\$75.0	-13.6%	-\$10,679	25.6%	6,432	-\$78.7	-\$12,231	587	\$3.7	\$6,332.8

Table 8		
Suits Indexes for Maine State & Local Taxes - CY19		
Tax Category	C.L.	P.L.
Individual Income Tax	0.28	0.46
Consumer Sales & Excise Taxes	-0.19	-0.18
Total State Taxes	0.09	0.10
Property Taxes		
Residential Property Tax	-0.14	-0.14
Total State and Local Taxes	0.02	0.02



# Maine Resident Sales Tax in 2016, Current Law and Budget Tax Reform Plan

Tax year 2016

(1)	(2)	(3)			(4)			(5)			(6)			(7)			(8)			(9)			(10)			(11)			(12)			(13)		
		Sales Tax Liability (\$ MIL)			Percentage Distribution			Sales Tax Liability (\$ MIL)			Percentage Distribution			Change in Tax Liability (\$ MIL)			Percent Tax Change			Average Tax Change			Share of sales tax increase (percent)			Number of families			Change in Tax Liability (\$ MIL)			Average Tax Increase		
<u>Expanded income</u>		<u>Tax Families</u>	<u>Sales Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Sales Tax Liability (\$ MIL)</u>	<u>Percentage Distribution</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Percent Tax Change</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Percent Tax Change</u>	<u>Average Tax Change</u>	<u>Share of sales tax increase (percent)</u>	<u>Number of families</u>	<u>Change in Tax Liability (\$ MIL)</u>	<u>Average Tax Increase</u>																			
- \$ Infinity <=	18229	140,167	\$49.8	7.4%	\$68.4	7.4%	\$18.6	37.4%	\$133	7.3%	128,443	\$18.6	\$145																					
18229 <=	25232	70,082	\$35.4	5.3%	\$48.6	5.2%	\$13.2	37.3%	\$189	5.2%	70,082	\$13.2	\$189																					
25232 <=	33296	70,084	\$41.6	6.2%	\$56.7	6.1%	\$15.2	36.5%	\$216	5.9%	70,084	\$15.2	\$216																					
33296 <=	42557	70,083	\$48.8	7.3%	\$67.7	7.3%	\$18.9	38.7%	\$270	7.4%	70,083	\$18.9	\$270																					
42557 <=	53725	70,084	\$58.6	8.7%	\$80.9	8.7%	\$22.3	38.0%	\$318	8.7%	70,084	\$22.3	\$318																					
53725 <=	67879	70,085	\$65.9	9.8%	\$89.9	9.7%	\$24.0	36.5%	\$343	9.4%	70,085	\$24.0	\$343																					
67879 <=	88929	70,080	\$81.4	12.1%	\$111.3	12.0%	\$29.9	36.8%	\$427	11.7%	70,080	\$29.9	\$427																					
88929 <=	124812	70,083	\$95.0	14.1%	\$130.9	14.1%	\$35.9	37.7%	\$512	14.0%	70,083	\$35.9	\$512																					
124812 <= \$ Infinity		70,082	\$196.8	29.2%	\$274.4	29.5%	\$77.7	39.5%	\$1,108	30.4%	70,083	\$77.7	\$1,108.0																					
<b>Totals</b>		700,832	\$673.3	100.0%	\$929.0	100.0%	\$255.6	38.0%	\$365	100.0%	689,107	\$255.6	\$371.0																					

## Top Decile Decomposition: 90-95, 95-99, and 99+:

124812 <=	167527	35,041	\$57.6	8.6%	\$79.9	8.6%	\$22.3	38.7%	\$636	8.7%	35,041	\$22.3	\$635.9
167527 <=	362145	28,035	\$70.9	10.5%	\$98.9	10.6%	\$27.9	39.4%	\$997	10.9%	28,035	\$27.9	\$996.9
362145 <= \$ Infinity		7,006	\$68.3	10.1%	\$95.7	10.3%	\$27.4	40.2%	\$3,914	10.7%	7,006	\$27.4	\$3,914.0





# Appendix B: Taxes Under Current Law and the Governor's Budget, 2019

## Maine Resident Income Tax in 2019, Current Law and Budget Tax Reform Plan

Tax year 2019

(1) Expanded income	(2) Tax Families	(3) Current Law			(4) Tax Reform			(9) Average Tax Change	(10) Share of income tax cut (percent)	(11) Number of families	(12) Families with an income tax cut		(13) Average Tax Decrease	(14) Number of families	(15) Families with an income tax increase		(16) Average Tax Increase
		Individual Tax Liability (\$ MIL)	Percentage Distribution	Percentage Distribution	Individual Tax Liability (\$ MIL)	Percentage Distribution	Change in Tax Liability (\$ MIL)				Change in Tax Liability (\$ MIL)	Change in Tax Liability (\$ MIL)			Average Tax Increase		
-\$ Infinity <=	140,400	-\$12.5	-0.8%	-\$61.1	-6.1%	-\$48.7	8.0%	-\$347	135,662	-\$48.7	28	-\$359	28	\$0.0	\$37		
21073 <=	70,198	\$2.4	0.1%	-\$24.9	-2.5%	-\$27.3	4.5%	-\$388	68,852	-\$27.3	167	-\$396	167	\$0.0	\$88		
28522 <=	37827	\$24.1	1.5%	-\$7.2	-0.7%	-\$31.3	5.2%	-\$446	63,988	-\$31.4	510	-\$490	510	\$0.1	\$174		
37827 <=	48881	\$46.1	2.9%	\$12.3	1.2%	-\$33.8	7.3%	-\$482	64,783	-\$34.0	683	-\$525	683	\$0.2	\$317		
48881 <=	60224	\$83.4	5.2%	\$45.0	4.5%	-\$38.4	6.3%	-\$547	57,135	-\$38.8	1,135	-\$679	1,135	\$0.4	\$356		
60224 <=	74664	\$110.2	6.9%	\$68.4	6.9%	-\$41.8	6.9%	-\$596	54,795	-\$42.3	1,350	-\$773	1,350	\$0.5	\$401		
74664 <=	96495	\$145.8	9.1%	\$93.1	9.3%	-\$52.7	8.7%	-\$750	59,275	-\$53.3	1,736	-\$900	1,736	\$0.7	\$391		
96495 <=	133686	\$247.9	15.5%	\$162.0	16.2%	-\$85.8	14.2%	-\$1,223	66,036	-\$86.5	1,786	-\$1,310	1,786	\$0.6	\$361		
133686 <= \$ Infinity	70,198	\$955.6	59.6%	\$710.4	71.2%	-\$245.2	40.5%	-\$3,492	67,489	-\$248.2	1,528	-\$3,677	1,528	\$3.0	\$1,959.1		
Totals	701,991	\$1,602.9	100.0%	\$998.1	100.0%	-\$604.8	100.0%	-\$862	638,016	-\$610.4	8,923	-\$957	8,923	\$5.6	\$625.7		
<b>Top Decile Decomposition: 90-95, 95-99, and 99+:</b>																	
133686 <=	178450	\$209.9	13.1%	\$146.1	14.6%	-\$63.8	10.5%	-\$1,817	33,799	-\$64.2	683	-\$1,899	683	\$0.4	\$606.6		
178450 <=	392094	\$314.0	19.6%	\$241.5	24.2%	-\$72.5	12.0%	-\$2,583	26,979	-\$73.6	633	-\$2,728	633	\$1.1	\$1,667.5		
392094 <= \$ Infinity	7,019	\$431.6	26.9%	\$322.8	32.3%	-\$108.9	18.0%	-\$15,508	6,712	-\$110.4	211	-\$16,445	211	\$1.5	\$7,209.2		



## Maine Resident Property Tax in 2019, Current Law and Budget Tax Reform Plan

Tax year 2019

(1) Expanded income	(2) Tax Families	(3) Current Law			(4) Current Law			(5) Tax Reform			(6) Tax Reform			(7) Change in Tax Liability (\$ MIL)	(8) Percent Tax Change	(9) Average Tax Change	(10) Share of property tax increase (percent)	(11) Families with a property tax decrease			(12) Families with a property tax increase		
		Property Tax Liability (\$ MIL)	Percentage Distribution	Property Tax Liability (\$ MIL)	Percentage Distribution	Property Tax Liability (\$ MIL)	Percentage Distribution	Property Tax Liability (\$ MIL)	Percentage Distribution	Change in Tax Liability (\$ MIL)	Number of families	Change in Tax Liability (\$ MIL)	Average Tax Decrease					Number of families	Change in Tax Liability (\$ MIL)	Average Tax Increase			
-\$ Infinity <=	21073	\$44.9	3.9%	\$45.5	3.8%	\$0.6	1.4%	\$4	2.6%	8,492	-\$1.4	-\$170	11,583	\$2.1	\$178								
21073 <=	29522	\$44.5	3.8%	\$44.9	3.8%	\$0.4	0.8%	\$5	1.5%	7,728	-\$1.4	-\$175	9,536	\$1.7	\$180								
29522 <=	37827	\$61.8	5.3%	\$63.1	5.3%	\$1.3	2.2%	\$19	5.6%	8,061	-\$1.4	-\$178	15,325	\$2.8	\$181								
37827 <=	48881	\$86.0	7.4%	\$87.3	7.4%	\$1.3	1.5%	\$19	5.6%	11,410	-\$2.0	-\$176	18,527	\$3.3	\$180								
48881 <=	60224	\$113.3	9.8%	\$115.7	9.8%	\$2.4	2.1%	\$34	9.9%	11,236	-\$2.0	-\$176	24,239	\$4.3	\$179								
60224 <=	74664	\$146.5	12.6%	\$149.6	12.6%	\$3.1	2.1%	\$44	13.1%	11,956	-\$2.1	-\$176	29,300	\$5.2	\$178								
74664 <=	96495	\$176.3	15.2%	\$180.1	15.2%	\$3.8	2.1%	\$54	15.9%	12,510	-\$2.2	-\$174	33,747	\$6.0	\$177								
96495 <=	133686	\$208.8	18.0%	\$214.3	18.1%	\$5.5	2.7%	\$79	23.3%	9,345	-\$1.6	-\$172	40,864	\$7.1	\$175								
133686 <= \$ Infinity		\$279.2	24.0%	\$284.5	24.0%	\$5.3	1.9%	\$76	22.5%	10,212	-\$1.7	-\$166.5	40,814	\$7.0	\$172.7								
Totals		\$1,161.2	100.0%	\$1,185.0	100.0%	\$23.8	2.0%	\$34	100.0%	90,952	-\$15.8	-\$173.8	223,934	\$39.6	\$176.8								
Top Decile Decomposition: 90-95, 95-99, and 99+ :																							
133686 <=	178450	\$122.5	10.5%	\$125.5	10.6%	\$3.0	2.5%	\$86	12.7%	4,263	-\$0.7	-\$168.0	21,625	\$3.7	\$173.3								
178450 <=	392094	\$120.4	10.4%	\$122.3	10.3%	\$1.9	1.6%	\$69	8.1%	4,574	-\$0.8	-\$165.7	15,641	\$2.7	\$171.5								
392094 <= \$ Infinity		\$36.3	3.1%	\$36.7	3.1%	\$0.4	1.1%	\$56	1.6%	1,376	-\$0.2	-\$164.1	3,548	\$0.6	\$173.7								

# Appendix C

## Maine Resident Income Tax in 2019, 2010 Law and Budget Tax Reform Plan

Tax year 2019 liability, excluding property tax fairness and sales tax fairness credits

Expanded income	2011 Law			Tax Reform			Families with an income tax cut			Families with an income tax increase						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Tax Families	Individual Tax Liability (\$ MILL)	Percentage Distribution	Percentage Distribution	Individual Tax Liability (\$ MILL)	Percentage Distribution	Change in Tax Liability (\$ MILL)	Percent Tax Change	Average Tax Change	Share of income tax cut (percent)	Number of families	Change in Tax Liability (\$ MILL)	Average Tax Decrease	Number of families	Change in Tax Liability (\$ MILL)	Average Tax Increase
-\$ Infinity <=	21073	140,400	\$4.5	0.2%	\$0.1	0.0%	-\$4.5		-\$32	0.6%	28,366	-\$4.5	-\$157	4	\$0.0	\$138
21073 <=	29522	70,198	\$12.2	0.7%	\$2.8	0.2%	-\$9.3	-76.8%	-\$133	1.3%	28,895	-\$9.4	-\$324	88	\$0.0	\$141
29522 <=	37827	70,199	\$36.4	2.0%	\$17.0	1.5%	-\$19.4	-53.3%	-\$277	2.7%	47,905	-\$19.5	-\$407	340	\$0.1	\$248
37827 <=	48881	70,199	\$59.0	3.2%	\$30.8	2.7%	-\$28.2	-47.8%	-\$402	4.0%	47,272	-\$28.4	-\$601	567	\$0.2	\$323
48881 <=	60224	70,204	\$100.4	5.4%	\$55.1	4.8%	-\$45.3	-45.1%	-\$646	6.4%	55,882	-\$45.6	-\$816	745	\$0.3	\$377
60224 <=	74664	70,196	\$132.9	7.2%	\$73.5	6.4%	-\$59.5	-44.7%	-\$847	8.4%	61,199	-\$59.8	-\$978	814	\$0.4	\$441
74664 <=	96495	70,199	\$178.8	9.6%	\$95.3	8.3%	-\$83.5	-46.7%	-\$1,189	11.8%	65,131	-\$83.9	-\$1,289	863	\$0.5	\$550
96495 <=	133686	70,198	\$295.0	15.9%	\$162.9	14.2%	-\$132.1	-44.8%	-\$1,882	18.6%	67,445	-\$132.7	-\$1,968	905	\$0.6	\$700
133686 <= \$ Infinity		70,198	\$1,039.5	55.9%	\$711.1	61.9%	-\$328.5	-31.6%	-\$4,679	46.2%	67,562	-\$332.6	-\$4,924	1,622	\$4.2	\$2,584.2
Totals		701,991	\$1,858.8	100.0%	\$1,148.5	100.0%	-\$710.3	-38.2%	-\$1,012	100.0%	469,656	-\$716.5	-\$1,526	5,946	\$6.2	\$1,045.9
Top Decile Decomposition: 90-95, 95-99, and 99+:																
133686 <=	178450	35,099	\$239.8	12.9%	\$146.5	12.8%	-\$93.2	-38.9%	-\$2,657	13.1%	33,967	-\$93.8	-\$2,763	610	\$0.6	\$972.3
178450 <=	392094	28,080	\$344.9	18.6%	\$241.7	21.0%	-\$103.2	-29.9%	-\$3,674	14.5%	26,928	-\$104.7	-\$3,889	761	\$1.6	\$2,072.6
392094 <= \$ Infinity		7,019	\$454.9	24.5%	\$322.8	28.1%	-\$132.1	-29.0%	-\$18,814	18.6%	6,667	-\$134.1	-\$20,110	250	\$2.0	\$8,072.0