



Preliminary Stress-Test Results

Maine Revenue Services – Office of Tax Policy
September 6, 2024

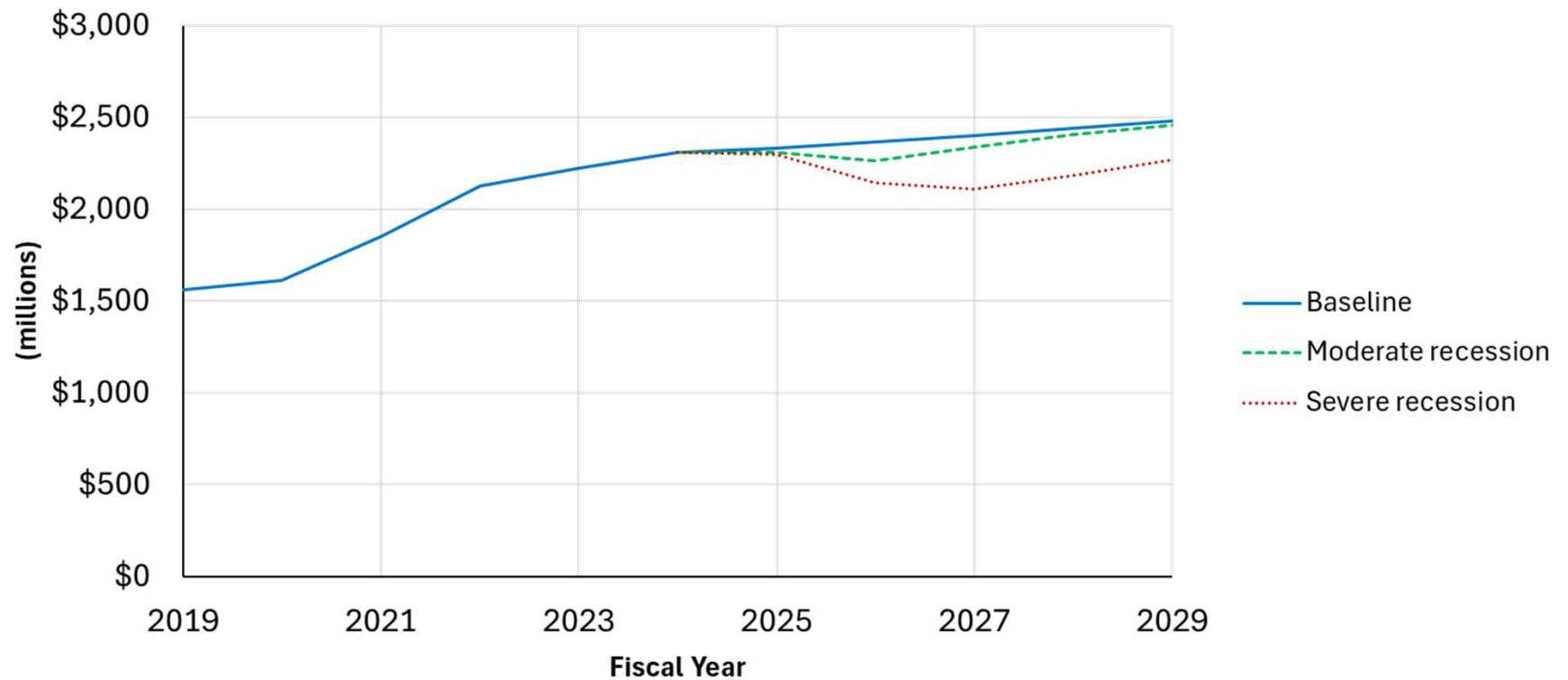
Sales & Use and Service Provider Taxes

	Revenue (\$million)			Difference		% difference	
Fiscal year	Baseline	Moderate recession	Severe recession	Moderate recession	Severe recession	Moderate recession	Severe recession
2024	2,311.86	2,311.86	2,311.86	-	-	0.0%	0.0%
2025	2,333.46	2,311.52	2,299.36	(21.94)	(34.10)	-0.9%	-1.5%
2026	2,369.72	2,267.60	2,147.67	(102.12)	(222.05)	-4.3%	-9.4%
2027	2,401.86	2,338.30	2,110.81	(63.56)	(291.05)	-2.6%	-12.1%
2028	2,440.72	2,409.89	2,187.10	(30.83)	(253.62)	-1.3%	-10.4%
2029	2,482.09	2,456.36	2,268.75	(25.74)	(213.34)	-1.0%	-8.6%

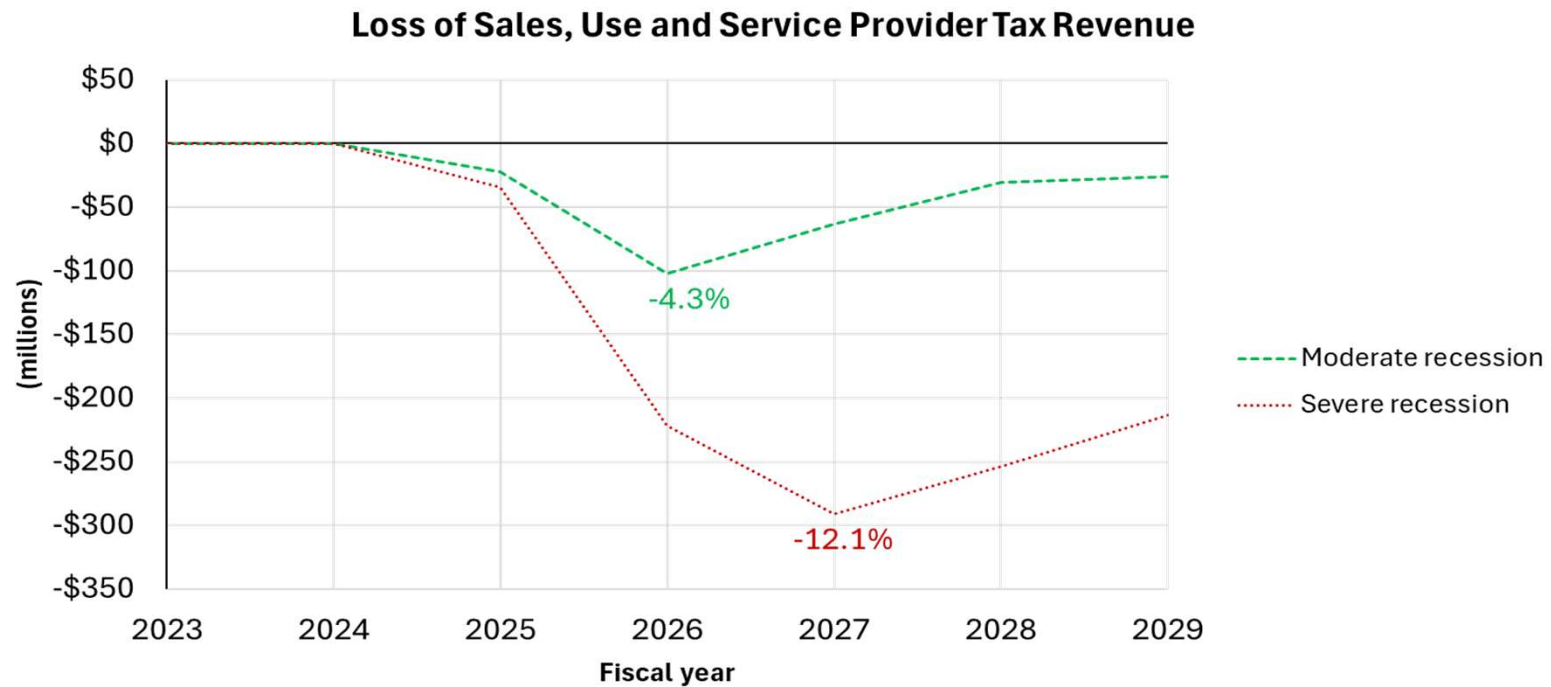


Sales & Use and Service Provider Taxes

Total Sales, Use and Service Provider Tax Revenue



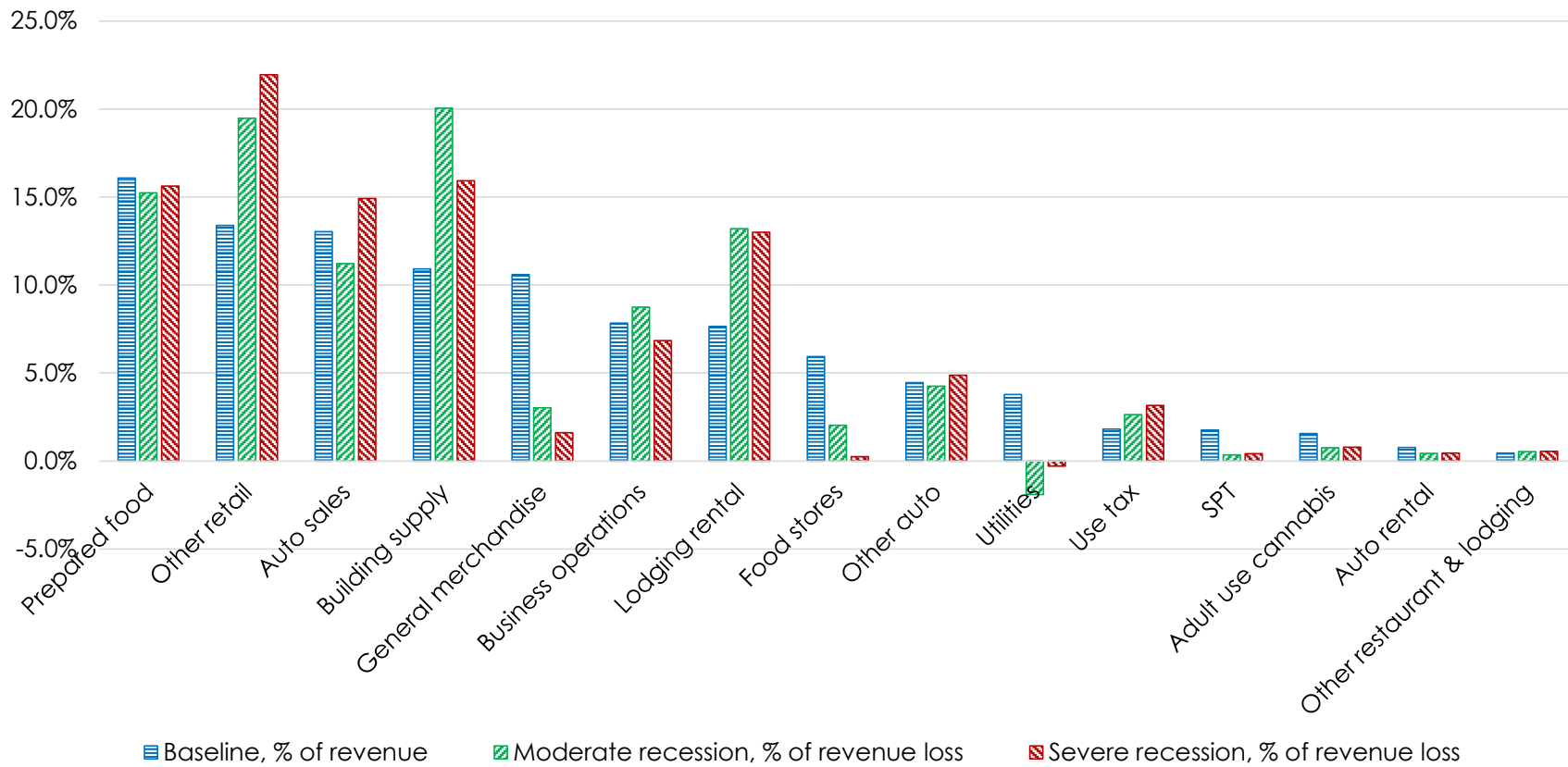
Sales & Use and Service Provider Taxes



- Moderate recession: Maximum loss of \$102 million (4.3%) in FY2026
- Severe recession: Maximum loss of \$291 million (12.1%) in FY2027

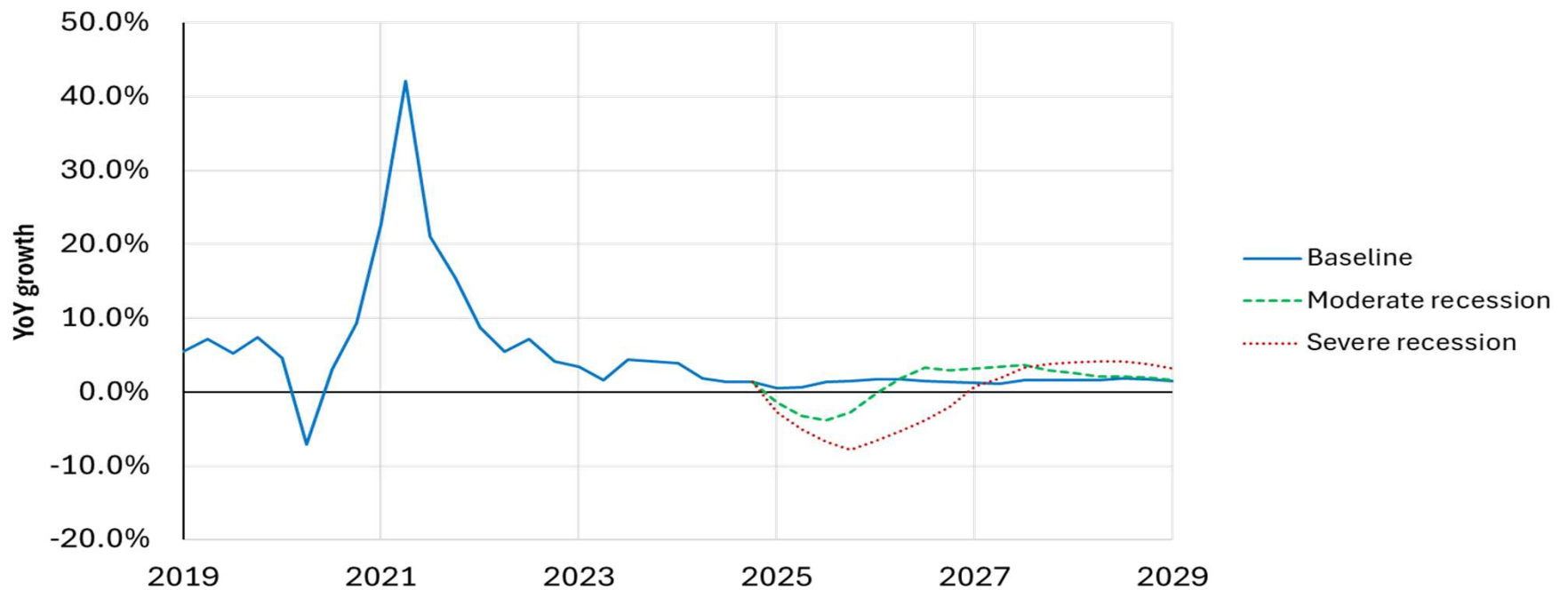


Breakdown of Revenue Loss



Sales & Use and Service Provider Taxes

Total Sales, Use and Service Provider Tax Revenue

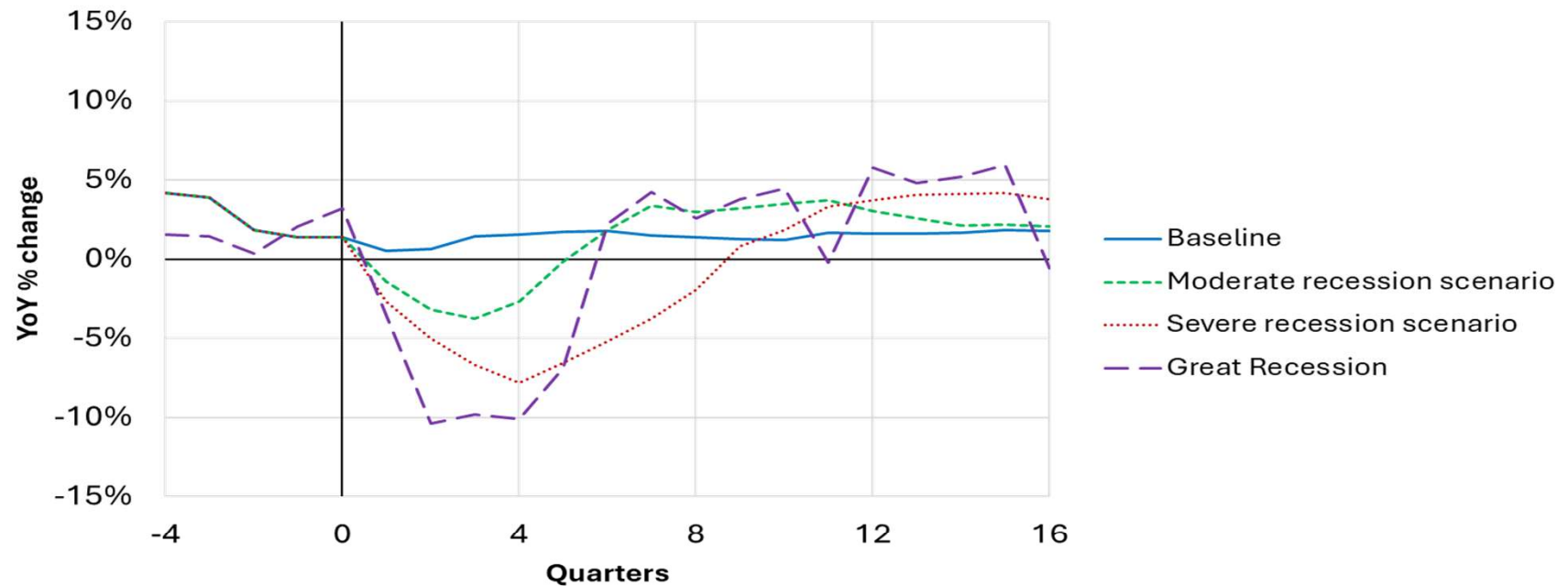


- Moderate recession: negative growth through 2026Q1
- Severe recession: negative growth through 2026Q4



Sales & Use and Service Provider Taxes

Total Sales and Service Provider Tax Revenue

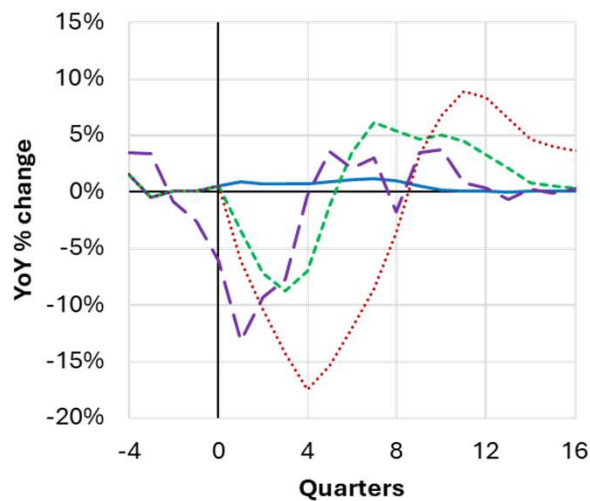


- Note: 0 on the horizontal axis corresponds to the last quarter with positive revenue growth. For the recession scenarios, this is 2024Q4. For the Great Recession this is 2008Q3.
- Moderate recession is less severe than the Great Recession and has the same duration.
- Severe recession is slightly less severe than the Great Recession at its peak but lasts longer (8 quarters of negative growth vs. 5 quarters in the Great Recession).



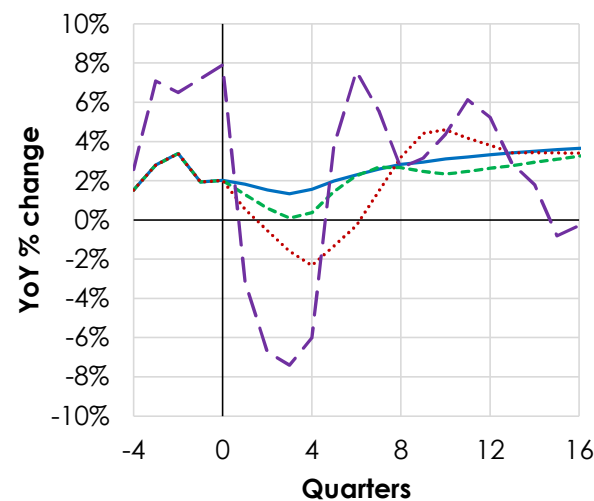
Sales & Use and Service Provider Taxes

Durable goods PCE



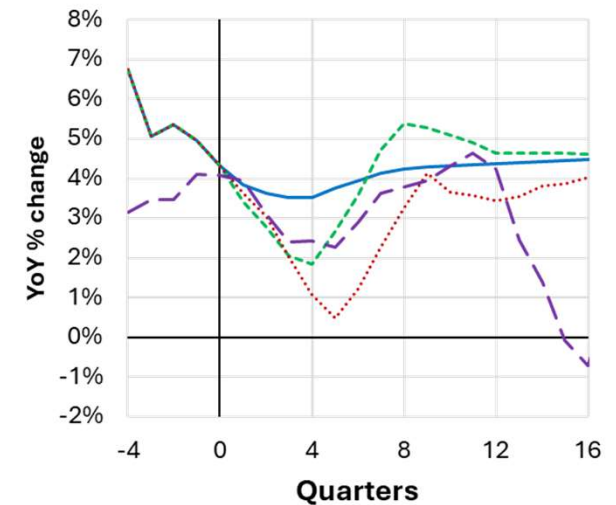
— Baseline
 - - - Moderate recession scenario
 Severe recession scenario
 - - - Great Recession

Nondurable goods PCE



— Baseline
 - - - Moderate recession scenario
 Severe recession scenario
 - - - Great Recession

Services PCE



— Baseline
 - - - Moderate recession scenario
 Severe recession scenario
 - - - Great Recession

- For both recession scenarios, strong declines in Durable Goods PCE are offset by smaller declines in Nondurable Goods relative to the Great Recession.
- Relatively little impact on Services PCE.



Auto Sales Tax Transfer

Fiscal year	Transfer amount (\$million)			Difference		% difference	
	Baseline	Moderate recession	Severe recession	Moderate recession	Severe recession	Moderate recession	Severe recession
2024	107.53	107.53	107.53	-	-	-	-
2025	115.42	115.42	115.42	-	-	-	-
2026	117.51	114.91	114.06	(2.61)	(3.45)	-2.2%	-2.9%
2027	118.58	111.25	100.71	(7.33)	(17.87)	-6.2%	-15.1%
2028	118.79	117.05	99.84	(1.73)	(18.94)	-1.5%	-15.9%
2029	118.16	118.95	108.50	0.79	(9.66)	0.7%	-8.2%



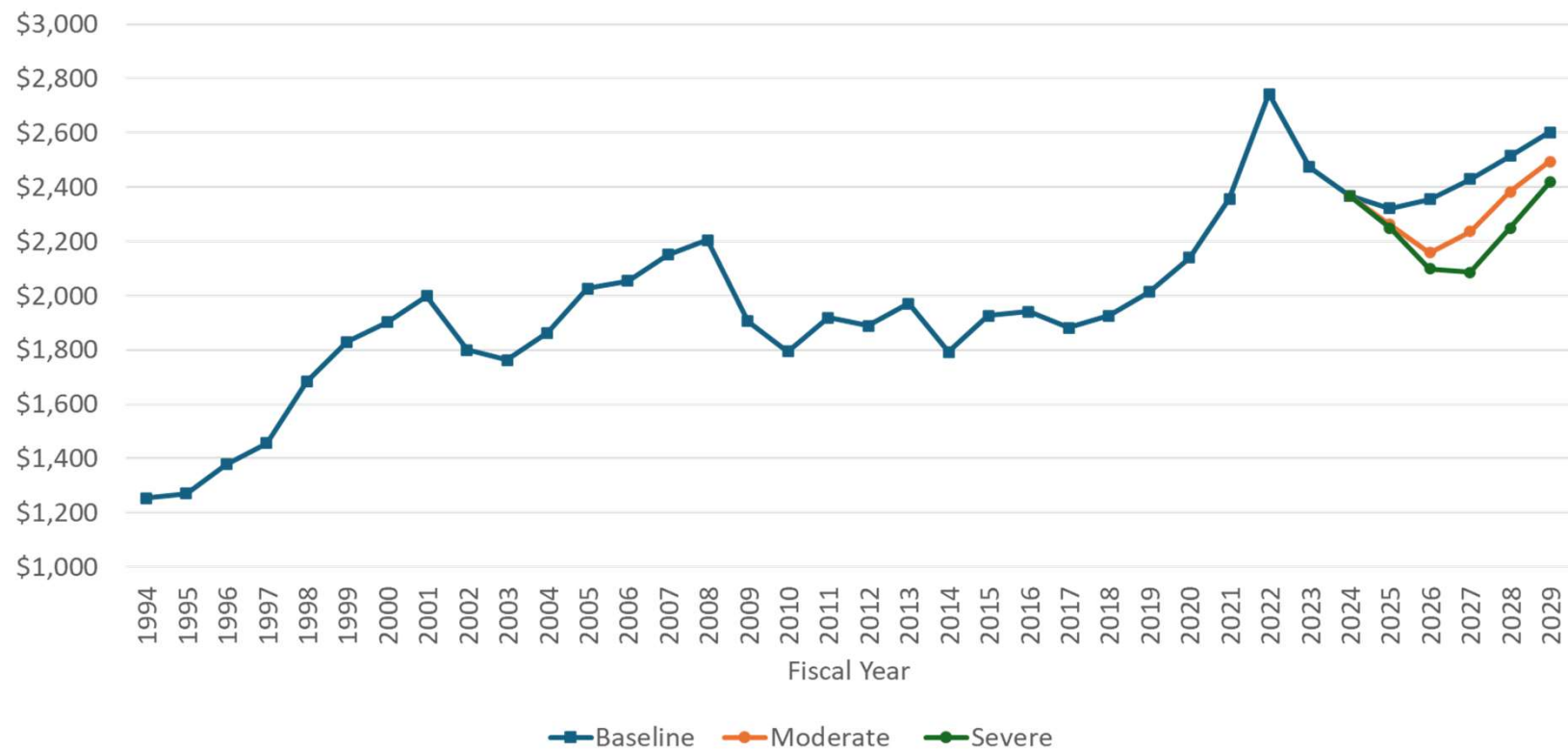
Individual Income Tax

Fiscal year	Revenue (\$million)			Difference		% difference	
	Baseline	Moderate recession	Severe recession	Moderate recession	Severe recession	Moderate recession	Severe recession
2024*	2,442.1	2,442.1	2,442.1				
2025	2,454.5	2,390.6	2,378.8	(63.9)	(75.6)	-2.6%	-3.1%
2026	2,547.3	2,321.0	2,235.0	(226.4)	(312.3)	-8.9%	-12.3%
2027	2,687.1	2,460.6	2,254.0	(226.5)	(433.1)	-8.4%	-16.1%
2028	2,843.0	2,683.5	2,476.6	(159.5)	(366.4)	-5.6%	-12.9%
2029	3,005.0	2,869.2	2,717.8	(135.8)	(287.3)	-4.5%	-9.6%

*March 1st RFC forecast. Fiscal year 2024 revenue was \$2,389 million.



Individual Income Tax Inflation-Adjusted Revenue, \$FY 2023



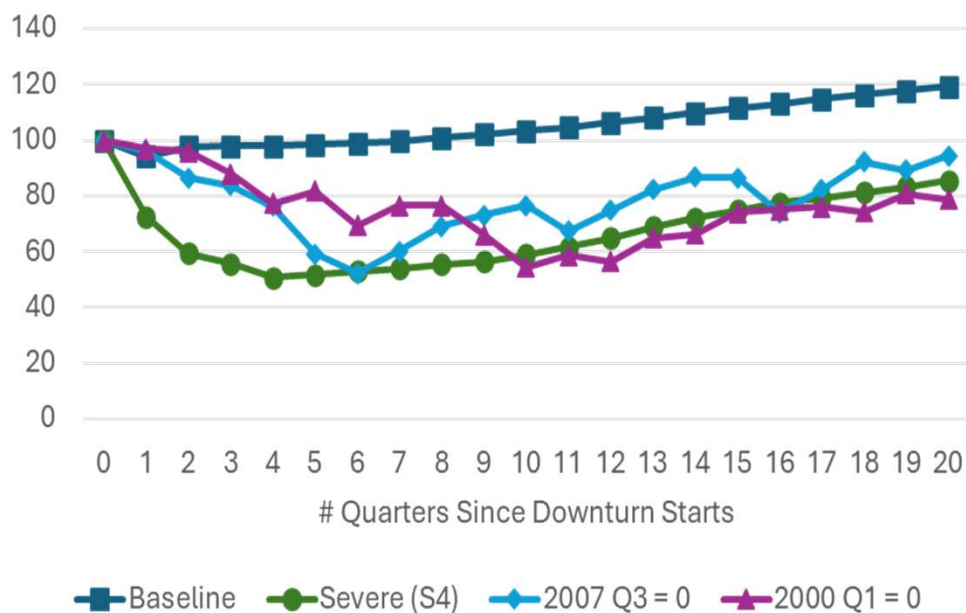
Wage Income, CEFC Forecast and Recession Scenarios

Calendar year	Wage income (\$million)			Difference		% difference	
	Baseline	Moderate recession	Severe recession	Moderate recession	Severe recession	Moderate recession	Severe recession
2024	43,089.2	43,089.2	43,089.2	0.0	0.0	0.0%	0.0%
2025	44,812.8	43,203.6	43,850.0	-1,609.2	-962.8	-3.6%	-2.1%
2026	46,605.3	44,690.6	44,780.7	-1,914.7	-1,824.6	-4.1%	-3.9%
2027	48,469.5	46,793.8	46,757.1	-1,675.7	-1,712.4	-3.5%	-3.5%
2028	50,408.3	48,814.9	48,742.8	-1,593.4	-1,665.5	-3.2%	-3.3%
2029	52,424.6	50,955.4	50,734.1	-1,469.2	-1,690.5	-2.8%	-3.2%

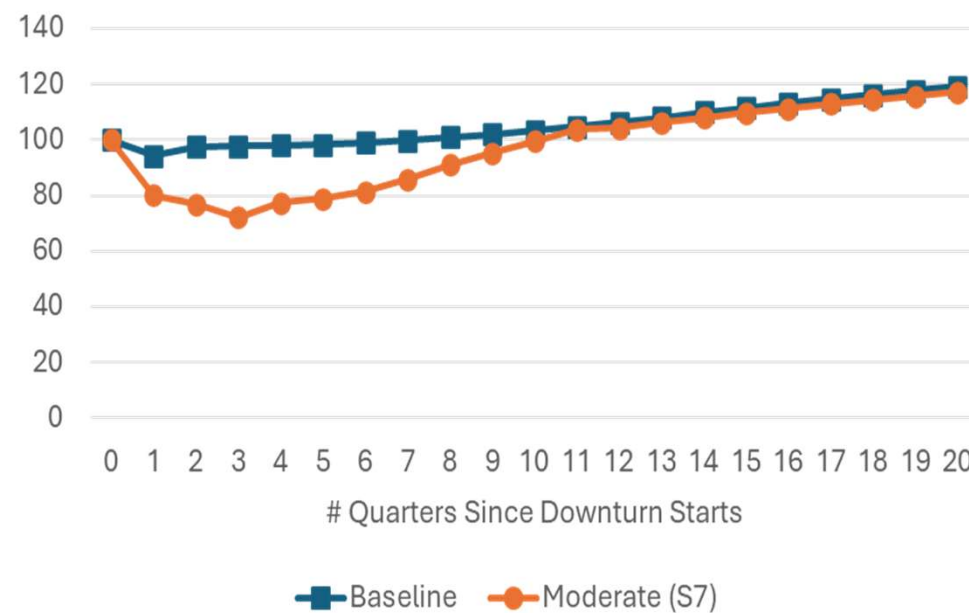


S&P 500, Moody's January 2024 Baseline, S4, and S7 Scenarios

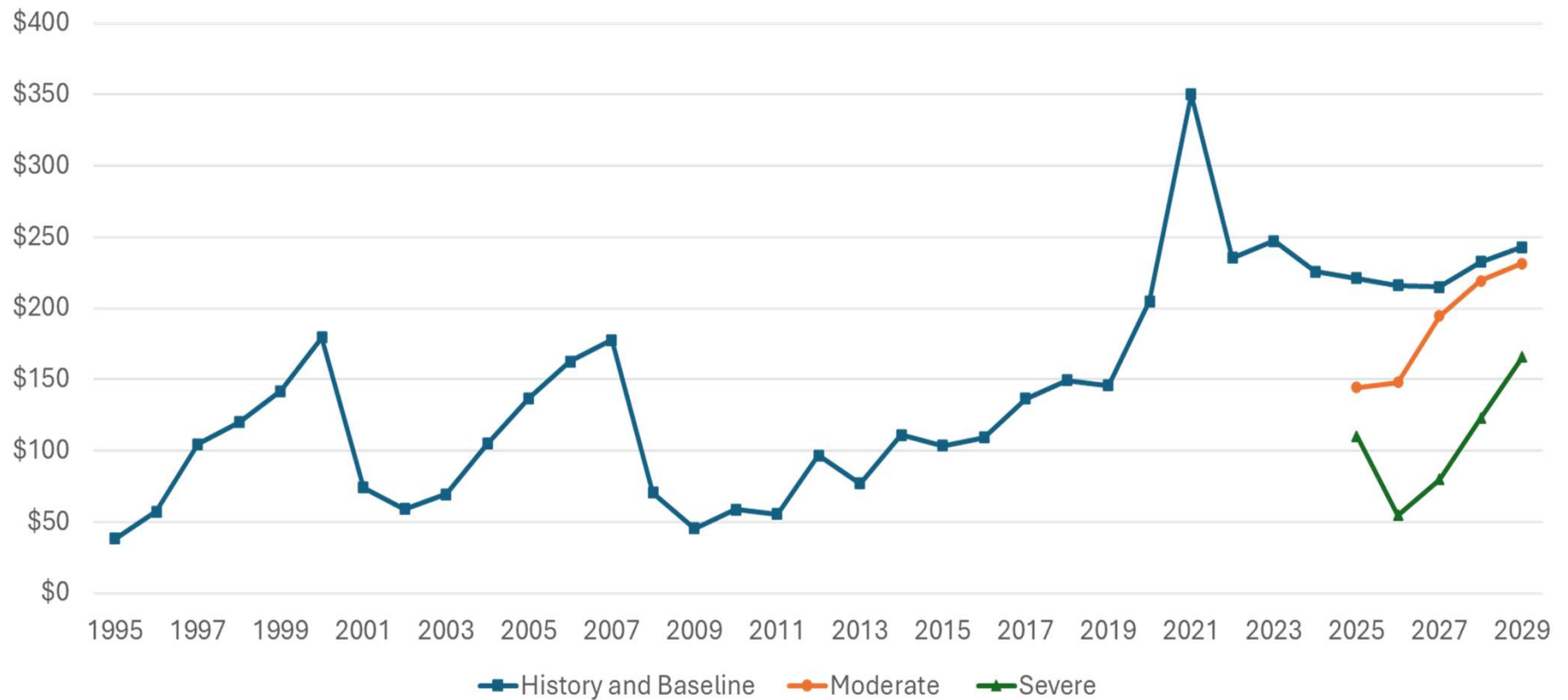
Baseline, S4, and Prior Bear Markets
(Period 0 = 100)



Baseline and S7
(Period 0 = 100)



Capital Gains Tax Liability, Full-Year Residents (\$million)

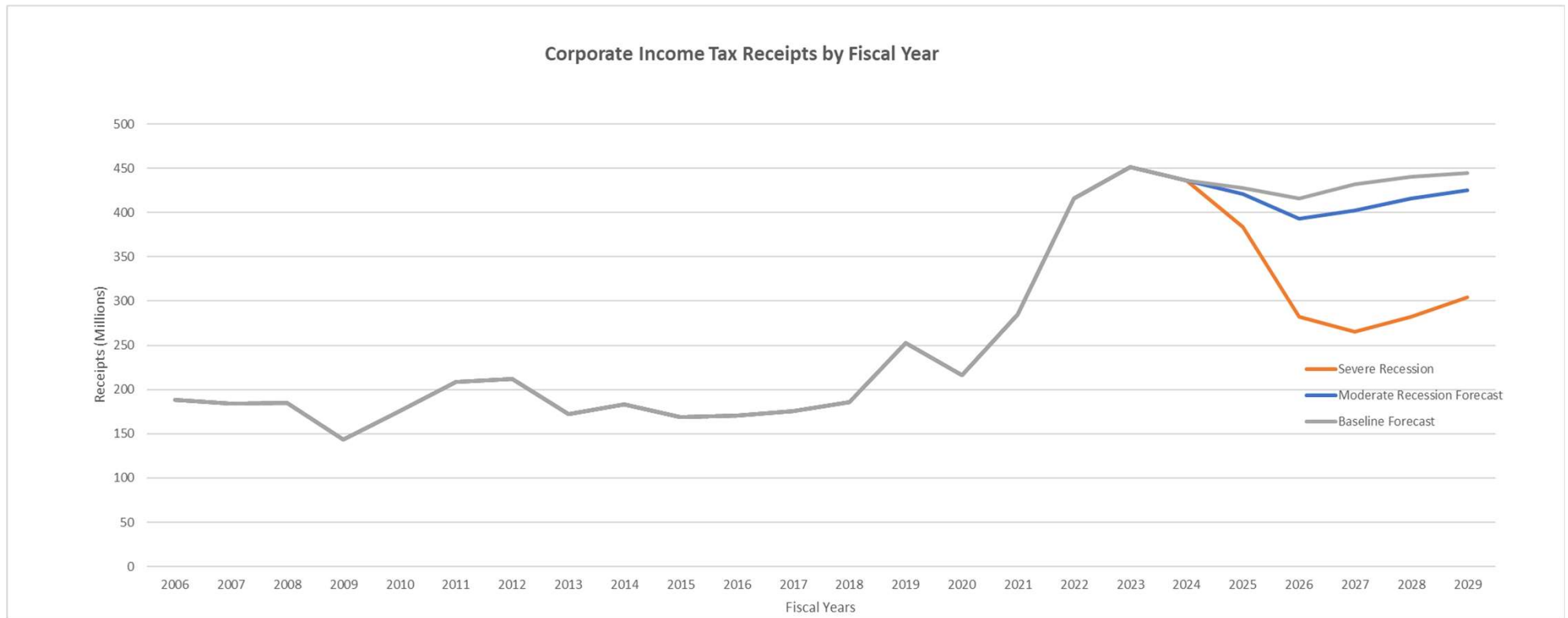


Individual Income Tax

- Federal response
 - Moody's assumed no federal response in both January recession scenarios due to Congressional gridlock
- Refundable credits forecast similar across baseline and recession scenarios
 - Projected \$380 million in 2025, which is 14.4% of tax liability before refundable credits
 - \$4 million in 2008 (or \$51.5 million if include Circuit Breaker)
- Baseline forecast error affects fiscal capacity in a recession.



Corporate Income Tax



General Fund Revenues

Total General Fund						
Fiscal Years		2025	2026	2027	2028	2029
March 2024 RFC Forecast		\$5,333.3	\$5,424.6	\$5,597.6	\$5,789.6	\$5,992.9
Moderate Recession Forecast		\$5,245.1	\$5,093.4	\$5,300.8	\$5,587.7	\$5,821.3
Variance		(\$88.2)	(\$331.3)	(\$296.7)	(\$201.9)	(\$171.7)
Percent Change		-1.7%	-6.1%	-5.3%	-3.5%	-2.9%

Total General Fund						
Fiscal Years		2025	2026	2027	2028	2029
March 2024 RFC Forecast		\$5,333.3	\$5,424.6	\$5,597.6	\$5,789.6	\$5,992.9
Severe Recession Forecast		\$5,187.2	\$4,793.1	\$4,768.8	\$5,069.4	\$5,393.1
Variance		(\$146.1)	(\$631.5)	(\$828.7)	(\$720.2)	(\$599.8)
Percent Change		-2.7%	-11.6%	-14.8%	-12.4%	-10.0%



Budget Stabilization Fund Sufficiency

General Fund Appropriation Limitation and Sufficiency of the Maine Budget Stabilization Fund (Moderate Recession)

Fiscal Years	2024	2025	2026	2027	2028	2029
Appropriations Limitation as of 10/1/24 /1		\$5,333.3	\$5,424.6	\$5,597.6	\$5,789.6	\$5,992.9
Revenues/Resources Minus Appropriations Limitation /2		(\$116.4)	(\$331.3)	(\$296.7)	(\$201.9)	(\$171.7)
Budget Stabilization Fund at Fiscal Year End	\$918.3	\$801.9	\$470.6	\$173.9	\$55.9	\$58.2

General Fund Appropriation Limitation and Sufficiency of the Maine Budget Stabilization Fund (Severe Recession)

Fiscal Years	2024	2025	2026	2027	2028	2029
Appropriations Limitation as of 10/1/24 /1		\$5,333.3	\$5,424.6	\$5,597.6	\$5,789.6	\$5,992.9
Revenues/Resources Minus Appropriations Limitation /2		(\$174.3)	(\$631.5)	(\$828.7)	(\$720.2)	(\$599.8)
Budget Stabilization Fund at Fiscal Year End	\$918.3	\$744.0	\$112.5	\$47.7	\$50.7	\$53.9

1/ Calculated as the minimum of the General Fund Appropriation Limit or the baseline General Fund revenue forecast.

2/ General Fund total budgeted resources of \$5,305.0 million is used in FY25, otherwise the baseline revenue forecast is used.

