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GOVERNOR

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To Legislative Leadership and members of the 128th Legislature:

I urge you to lessen the impact of two referendum questions approved by the voters that will cause significant economic harm to restaurant workers, small businesses, successful people and our elderly.

Question 2 will increase the income tax to 10.15% on successful Maine households and small businesses, supposedly to boost funding for education, and Question 4 will increase the minimum wage in such a way that it will devastate the restaurant industry, put local shops out of business and push 325,000 elderly Mainers deeper into poverty.

Increasing the income tax to the second highest in the nation could actually do the opposite of what the question proposed. Question 2 sought to raise more money for education by slapping successful Maine households with an extra 3% income tax, but this could result in less money for education.

Punishing Maine people and small businesses by increasing their income tax by 42% will drive them out of our state and prevent badly needed professionals, such as doctors, dentists, engineers and scientists, from coming here. No one wants to come to a state that will confiscate over 10 percent of their earnings, especially when other states, such as our next-door neighbor New Hampshire, take none.

Successful people and small business owners already pay a significant amount of property tax, income tax, excise tax, sales tax, payroll taxes and other taxes and fees. If they go out of business or leave the state and take their income with them, this will create even less revenue for schools and municipalities.

Maine needs more population, and we need more trained professionals. Taking a bigger share out of their hard-earned paychecks is not the way to do it. We may as well put up a big sign in Kittery that says: "Welcome to Maine: We'll Tax the Heck Out of You!"

As drafted, the minimum wage law is fraught with unintended consequences that will create significant hardship for restaurant workers, small businesses and the elderly. As labor costs rise so rapidly, small businesses will have to absorb the extra expense by laying off workers and raising prices. As the price of everyday staples, such as milk, bread, eggs and coffee, and essential services,

like snow plowing, roof repairs and furnace maintenance, increase to cover the higher labor costs, the elderly will be left out in the cold.

Low-skilled and entry-level workers will get a \$4-an-hour increase in pay, but those on Social Security will get an average increase of just \$4 a *month* in their checks. This fixed income is not enough to cover the inflationary effect on prices this new law will have. As they must spend more of their limited income on higher prices, our elderly will be pushed even deeper into poverty. Restaurant owners say they will have to raise menu prices to cover the new labor costs. Even worse, with the elimination of the tip credit, servers will see their pay slashed by half or more. Servers who now make \$25 to \$30 an hour will see their income plummet to \$12 an hour with little or no tips.

Automatically increasing the minimum wage each year with no regard to how the state or national economy is doing could decimate small businesses in Maine. Your local corner store, favorite restaurant or longtime hairdresser cannot handle automatic wage increases when the economy is in a downturn.

Although we all agree an increase in the minimum wage is acceptable, most Mainers did not understand the specifics of the referendum question they approved. Had Mainers known it would hurt waitresses, 325,000 elderly and their neighbors who own a small business, they most likely would have rejected it. Even if Mainers were aware of these impacts, we are all elected to do no harm.

You have the authority to maintain the intent of these referendums, while improving the specifics of the law so they do not harm the Maine people and hurt our economy. You can slow down the rate of increase to the minimum wage to allow businesses more time to absorb it, remove the provision that automatically increases the wage every year and restore the tip credit.

I will submit a balanced budget that reduces the income tax rate to mitigate the effect of adding a 3% tax on successful Mainers and small businesses. We will also do what we can to aid the elderly by removing the income tax on pensions, reducing the cost of medications and proposing a law that will make it more difficult to foreclose on elderly homeowners.

Let's work together to honor the wishes of the Maine people, but also to protect our elderly and our favorite restaurants, as well as the thousands of small businesses that are the backbone of our economy.

Sincerely,



Paul R. LePage
Governor