

MAINE STATE LEGISLATURE

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Maine Tax Incidence Study

A Distributional Analysis of Maine's State & Local Taxes

**Presentation to the
Maine Center for Economic Policy Conference
January 12, 2009**

**Michael J. Allen, Ph.D.
Department of Administrative and Financial Services
Maine Revenue Services
Economic Research Division**

Outline of Presentation

- Quick review of Legislative charge
- 2006 Incidence Analysis
- Trends: 1996-2006
- Preliminary estimate for 2007 and forecast for 2008

36 MRSA, Section 200

- Estimate of state and local tax burden on Maine residents
- Distribution of tax burden
- Analysis of progressivity of tax system
- Analysis of trends

Maine State and Local Tax Collections for Calendar Year 2006 Liability
(Millions of Dollars)

State		Local		Total
Included		Included		Included
Sales & Use Tax	\$1,012	Gross Property Taxes	\$1,850	
Individual Income Tax	\$1,385	Motor Vehicle Excise Tax	\$208	
Corporate Income Tax	\$147	Watercraft Excise Tax	\$3	
Cigarette, Tobacco & Alcohol Taxes	\$181	Homestead Exemption	(\$58)	
Public Utilities Tax	\$21	Circuit Breaker Refunds	(\$47)	
Insurance Companies Tax	\$75	BETR Refunds	<u>(\$68)</u>	
Estate Tax	\$41			
State Property Taxes /1	\$58			
Motor Fuels Excise Taxes	<u>\$228</u>			
Total	\$3,148	Total	\$1,888	\$5,036
Omitted		Omitted		Omitted
Railroad Company Tax	\$1			
Sardine Tax	\$0			
Mahogany Quahog Tax	\$0			
Milk Handling Fee and Pool	\$4			
Blueberry Tax	\$1			
Potato Tax	\$1			
Hospital and Health Care Taxes	\$92			
Recycling Assistance Fee	\$2			
Racino Revenue	\$21			
Pari-mutuel Revenue	<u>\$3</u>			
Total	\$124	Total	\$0	\$124
Total Tax Collections	\$3,272	Total Tax Collections	\$1,888	\$5,160

1/ Includes Unorganized Territory Taxes, Real Estate Transfer Taxes, and Commercial Forestry Excise Tax.

2006 Calendar Year Incidence Study Table 2

- Study is comprehensive
- \$5.2 Billion of state and local taxes collected from liability imposed in Calendar Year 2006
- This study accounts for 98% of the revenue from Calendar Year 2006
- Omitted taxes are health care facility taxes, special industry taxes, gambling revenues, and smaller property tax reimbursement programs

Table 3
State and Local Tax Collections for CY06 Liability by Type of Tax and Taxpayer Category
(Millions of Dollars)

Tax Category	Collections		Percentage by Taxpayer Category			
	Total	Percentage Distribution	Individuals		Businesses	Total
			Resident	Nonresident		
Taxes on Income						
Individual Income Tax	\$1,384.7	27.5%	93.1%	6.9%	0.0%	100.0%
Corporate Income Tax /1	<u>\$147.2</u>	<u>2.9%</u>	0.0%	0.0%	100.0%	100.0%
Total Income Taxes	\$1,531.9	30.4%	84.1%	6.3%	9.6%	100.0%
Taxes on Consumption						
Sales & Use Tax	\$1,011.6	20.1%	62.4%	10.6%	27.0%	100.0%
Cig., Tob. & Alcohol Excise	\$180.6	3.6%	92.1%	7.5%	0.4%	100.0%
Insurance Companies Tax /2	\$75.4	1.5%	0.0%	0.0%	100.0%	100.0%
Motor Fuels Excise Taxes	<u>\$228.2</u>	<u>4.5%</u>	51.3%	8.5%	40.2%	100.0%
Total Consumption Taxes	\$1,495.8	29.7%	61.2%	9.3%	29.5%	100.0%
Taxes on Wealth						
Estate Tax	\$41.2	0.8%	85.9%	14.1%	0.0%	100.0%
Taxes on Property						
<i>Local</i>						
Homeowners (gross)	\$1,372.9	27.3%	84.8%	15.2%	0.0%	100.0%
Businesses (gross)	\$477.1	9.5%	0.0%	0.0%	100.0%	100.0%
Motor Vehicle Excise Tax	\$207.9	4.1%	70.0%	0.0%	30.0%	100.0%
Watercraft Excise Tax	\$2.6	0.1%	80.0%	20.0%	0.0%	100.0%
Homestead Exemption	(\$57.6)	-1.1%	100.0%	0.0%	0.0%	100.0%
Circuit Breaker Refunds	(\$46.9)	-0.9%	100.0%	0.0%	0.0%	100.0%
BETR Refunds	<u>(\$67.9)</u>	<u>-1.3%</u>	0.0%	0.0%	100.0%	100.0%
<i>State</i>						
State Property Taxes (gross) /3	\$58.5	1.2%	61.8%	15.2%	23.0%	100.0%
Public Utilities Tax	<u>\$20.6</u>	<u>0.4%</u>	0.0%	0.0%	100.0%	100.0%
Total Property Taxes	\$1,967.3	39.1%	63.2%	11.1%	25.7%	100.0%
Total Taxes	\$5,036.2	100.0%	69.2%	9.1%	21.7%	100.0%

1/ Includes Franchise Tax on Financial Institutions.

2/ Includes Fire Investigation and Prevention Tax.

3/ Includes Unorganized Territory Taxes, Real Estate Transfer Taxes, and Commercial Forestry Excise Tax.

2006 Calendar Year Incidence Study Table 3

- Summarizes Maine's State & Local Tax structure by type of tax
- Estimates statutory incidence of the tax system
- Tax system was close to being evenly distributed in 2000, but is changing
- Estimate that \$459 Million or 9.1% is directly exported to non-residents

Table 4
Shares of 2006 Maine Income and Taxes

Expanded Income Range	Percent of Families	Percent of Income	Individual Income Tax	Consumer Sales Tax	Consumer Excise Tax	Residential Property Taxes	Estate Taxes	Business Taxes	Total Taxes
-\$ Infinity <= \$11,393	20.0%	2.4%	0.1%	4.6%	9.7%	5.1%	0.0%	3.7%	3.2%
\$11,394 <= \$16,616	10.0%	2.7%	0.2%	3.3%	6.6%	4.1%	0.0%	3.0%	2.6%
\$16,617 <= \$22,515	10.0%	3.7%	0.7%	5.1%	9.6%	5.5%	0.0%	4.7%	3.9%
\$22,516 <= \$30,048	10.0%	5.0%	2.0%	7.9%	13.2%	7.1%	0.0%	6.2%	5.7%
\$30,049 <= \$41,187	10.0%	6.7%	3.8%	9.3%	13.4%	8.6%	0.0%	8.0%	7.3%
\$41,188 <= \$54,904	10.0%	9.0%	6.7%	10.8%	13.3%	11.1%	0.0%	10.2%	9.6%
\$54,905 <= \$73,995	10.0%	12.2%	10.3%	12.7%	10.7%	13.9%	0.8%	13.2%	12.2%
\$73,996 <= \$106,386	10.0%	16.8%	18.0%	13.5%	6.9%	18.0%	3.0%	16.6%	16.4%
\$106,386 <= \$ Infinity	10.0%	41.5%	58.1%	32.7%	16.7%	26.8%	96.2%	34.5%	39.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Total Amount (\$ Millions)	671,735	\$35,386	\$1,289	\$632	\$283	\$1,283	\$35	\$592	\$3,978
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Total Taxes Paid by Business = \$1,094
Net Business Taxes Borne by Residents = \$560
Percent of Business Taxes Exported = 48.8%

2006 Calendar Year Incidence Study Table 4

- Top 10% of tax families receive 41.5% of income.
- Top 10% pay over 58% of individual income tax
- \$4 billion of original \$5 billion is ultimately borne by Maine residents.

**Maine Effective Tax Rates by Expanded Income Level
All Resident Taxpayers (2006)**

Decile	Expanded Income Range	Tax Families	Income Tax		Consumer		Total State Taxes		
			Individual	Corporate	Sales Tax	Excise Tax	Individual	Business	Total
First & Second	-\$ Infinity <= \$11,393	134,373	0.1%	1.5%	3.5%	3.3%	6.9%	1.5%	8.4%
Third	\$11,394 <= \$16,616	67,148	0.3%	1.1%	2.2%	2.0%	4.5%	1.1%	5.6%
Fourth	\$16,617 <= \$22,515	67,174	0.7%	1.2%	2.5%	2.1%	5.3%	1.2%	6.5%
Fifth	\$22,516 <= \$30,048	67,173	1.4%	1.2%	2.8%	2.1%	6.3%	1.2%	7.5%
Sixth	\$30,049 <= \$41,187	67,174	2.1%	1.2%	2.5%	1.6%	6.1%	1.2%	7.3%
Seventh	\$41,188 <= \$54,904	67,178	2.7%	1.1%	2.1%	1.2%	6.0%	1.1%	7.1%
Eighth	\$54,905 <= \$73,995	67,169	3.1%	1.1%	1.9%	0.7%	5.7%	1.1%	6.7%
Ninth	\$73,996 <= \$106,386	67,173	3.9%	1.0%	1.4%	0.3%	5.7%	1.0%	6.6%
Tenth	\$106,386 <= \$ Infinity	67,173	5.1%	0.8%	1.4%	0.3%	7.1%	0.8%	7.8%
Total		671,735	3.6%	1.0%	1.8%	0.8%	6.3%	1.0%	7.3%

Decile	Local Property Taxes			Property Tax Relief Programs			Total State and Local Taxes			Federal Tax Offset
	Individual	Business	Total	Homestead	Circ. Break	BETR	Individual	Business	Total	
First & Second	7.8%	1.0%	8.9%	-0.5%	-1.2%	-0.1%	13.0%	2.5%	15.4%	0.0%
Third	5.5%	0.8%	6.3%	-0.4%	-0.7%	-0.1%	9.0%	1.8%	10.7%	0.0%
Fourth	5.4%	0.9%	6.3%	-0.4%	-0.6%	-0.1%	9.8%	2.0%	11.8%	0.0%
Fifth	5.1%	0.9%	5.9%	-0.3%	-0.4%	-0.1%	10.7%	2.0%	12.7%	0.0%
Sixth	4.7%	0.8%	5.5%	-0.2%	-0.3%	-0.1%	10.3%	1.9%	12.2%	-0.1%
Seventh	4.4%	0.8%	5.2%	-0.2%	-0.1%	-0.1%	10.1%	1.8%	11.9%	-0.3%
Eighth	4.1%	0.8%	4.9%	-0.2%	-0.1%	-0.1%	9.5%	1.7%	11.2%	-0.5%
Ninth	3.9%	0.7%	4.6%	-0.2%	0.0%	-0.1%	9.4%	1.6%	11.0%	-0.9%
Tenth	2.3%	0.6%	3.0%	-0.1%	0.0%	-0.1%	9.3%	1.3%	10.6%	-1.5%
Total	3.6%	0.7%	4.3%	-0.2%	-0.1%	-0.1%	9.7%	1.6%	11.2%	-0.9%

2006 Calendar Year Incidence Study Table 1

- Estimates the Distribution of State & Local Tax Burden
- Average Tax Burden of 11.2%
- Issues with Bottom 20%
- State vs. Local
- Individual Income Tax is only progressive tax of major taxes
- Property Tax Relief Programs

Table 5

Suits Indexes for Maine State & Local Taxes

Tax Category	2006
Individual Income Tax	0.23
Consumer Sales Tax	-0.14
Consumer Excise Tax	-0.43
Estate Tax	0.56
Total State Taxes	0.03
Residential Property Taxes	
Gross of State Programs	-0.17
Net of State Programs	-0.14
Total State and Local Taxes	-0.03

2006 Calendar Year Incidence Study Table 5

- Suits Index: Quantify Progressivity of Tax or Tax System
- -1 = Extreme Regressivity
+1 = Extreme Progressivity
- State & Local Tax System is Slightly Regressive
- State System is Slightly Progressive While Local System is Regressive

Trends: 1996-2006

	1996	2001	2006
Effective Tax Rate	11.84%	11.17%	11.24%
Average Tax Burden (dollars)	\$ 4,796	\$4,474	\$5,922
Percent of Taxes From			
Income Taxes	24.40%	28.30%	30.42%
Consumption Taxes	35.20%	30.10%	29.70%
Property Taxes	39.50%	40.90%	39.06%
Suits Index	-0.067	-0.032	-0.033
State	0.016	0.026	0.025
Local (net of programs)	-0.208	-0.137	-0.141
Bottom 20% of Families			
Percent of Income	2.50%	2.40%	2.35%
Percent of Taxes	6.10%	3.40%	3.23%
Top 10% of Families			
Percent of Income	35.40%	40.10%	41.55%
Percent of Taxes	33.10%	37.60%	39.31%
Average Property Tax Bill	\$1,670	\$1,928	\$2,647

Maine State & Local Effective Tax Rates 1996-2008

