

# Bangor Daily News

## LePage hopes to eliminate income tax by end of second term

By: Matthew Stone – May 20, 2013

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AUGUSTA, Maine — Gov. Paul LePage said Monday he hopes Maine has no state income tax by the end of his second term if he's re-elected next year.

“The fact that we have an income tax at all is a massive disadvantage,” LePage said during an afternoon session on tax policy held at the Blaine House for members of his Cabinet and reporters.

LePage on Monday also reiterated previous statements defending a proposal in his budget that eliminates revenue sharing with municipalities. LePage said he's hearing the complaints that his budget will cause significant revenue losses in towns and cities. He said his intention is to start a debate about local control.

“What you're saying is, we want local control, but we want the state to pay for it. So my point is, if you want local control, let's have it. If you want to keep taxes down overall, let's work together,” he said. “Let's do some consolidating among ourselves rather than have a governor drive it down.”

LePage also repeated criticisms that Maine's public school system is too heavy on administration and is underperforming states that spend less per student. Former Gov. John Baldacci should have gone further with his school district consolidation law, LePage said.

LePage's comments came during a presentation he hosted featuring a national speaker who discussed tax policy and interstate migration. Travis Brown, LePage's invited speaker and president of a Missouri advocacy group that calls for eliminating that state's income tax, said the nine states that levy no income tax have seen greater gains in wealth and residents over the past 15 years than their income tax-levying counterparts.

The nine states are Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming, New Hampshire and Tennessee.

Rep. Seth Berry of Bowdoinham, the House Democratic leader, called LePage's remarks “more of the same tired, failed trickle-down economics that we have seen from this governor in particular and from his party generally.

“The income tax is the one tax that reflects ability to pay. The governor's other options — sales taxes and property taxes — are very regressive,” Berry said. “What the governor is really saying is he wants to raise taxes even higher on middle-class and working families.”

Brown created an online application, called How Money Walks, that maps how much wealth and how many residents states lost or gained between 1995 and 2010. Brown has spoken throughout the country recently, including at the California Republican

Convention, the libertarian-leaning Cato Institute think tank in Washington, D.C., and the anti-tax group Americans for Tax Reform founded by Grover Norquist.

LePage said the information makes the case that Maine should have no state income tax.

The nine states that don't tax wage income saw a net gain of \$140 billion in wealth between 1995 and 2010, Brown said. Brown's analysis is based on data on adjusted gross income from the Internal Revenue Service and U.S. Census figures. Some 43 million Americans moved during that 15-year period, he said.

"You generally see what taxpayers have said with their feet," Brown said. "They vote every election, maybe, but they vote every quarter, maybe, with their feet."

Conclusions vary on the extent to which taxes play a role in relocation decisions. A 2011 study by researchers at the University of Massachusetts Amherst found that jobs, housing, family and quality of life were the top reasons people in New England moved.

"Overall the results suggest that taxes do not cause out-migration, but do influence on the choice of destination for some migrating households," the study said.

While tax policy isn't a top reason for relocation, a 2011 study by the New Jersey Department of the Treasury based on IRS data found that "tax flight" is most pronounced among wealthy residents and especially wealthy residents who are elderly.

According to Brown's data, Maine saw a net gain of \$1.62 billion in adjusted gross income wealth between 1995 and 2010. The biggest contributors to that gain, his analysis shows, were people from Massachusetts, New York, Connecticut, New Hampshire and New Jersey.

"What the governor and others like him are trying to do is figure out what is the path to prosperity based on what has worked in states versus what has not worked well in states over the past 15 years," Brown said.

At the same time, his analysis shows, Maine lost wealth to Florida, South Carolina, Arizona, Nevada and Tennessee. Florida, Nevada and Tennessee don't tax wage income. Brown's analysis also showed that the top states people from Maine move to are Florida, North Carolina, Arizona, South Carolina and Virginia.

New Hampshire — another state with no income tax and the lowest total tax burden, according to the U.S. Census Bureau — took in \$3.23 billion in wealth between 1995 and 2010, about double Maine's gain. The gain in New Hampshire was most pronounced in Rockingham County, which borders Massachusetts and is within commuting distance to Boston.

"There may be some advantages to being much closer to the Boston area," Brown said. "But they also have a much lower state and local tax burden."

Within Maine, Brown's analysis showed net wealth losses in Androscoggin, Penobscot, Aroostook and Washington counties. The largest gains were in York and Cumberland counties.

LePage said Maine's demographic picture, especially the fact that Maine had more deaths than births in 2012, concerns him.

The presentation hosted by LePage comes as lawmakers debate his budget proposal and weigh a far-reaching tax reform package that slices the individual income tax rate to a flat 4 percent, eliminates the estate tax and makes up for it by raising the sales tax to 6

percent and extending it to a number of goods and services that haven't traditionally been taxed. The package also includes a number of measures aimed at targeting property tax relief to full-time residents.

LePage has called the tax reform bill "a bad deal" and has said he doesn't intend on balancing his budget with state-level tax increases.