

State Report

Maine Cuts Income Tax; Enacts Gay Marriage

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Stateline.org*

Despite serious revenue shortfalls, Maine's Democratic Legislature reduced the personal income tax rate and looked beyond its fiscal woes to become the fifth state to legalize same-sex marriage. Maine's \$5.8 billion budget for the year beginning July 1 was smaller than the previous year's budget for the first time in 30 years. But despite coming in \$500 million under the 2009 budget, lawmakers met in mid-July and plan to continue work August 12-13 to slice another \$30 million from the budget because of recent revenue shortfalls.

Lowering its income tax rate from 8.5 percent to 6.5 percent for those making less than \$250,000 and 6.85 percent for those in higher income brackets, lawmakers lowered Mainers' tax burden by \$55 million, but made up the difference through other tax reforms, including broadening sales taxes. "Families and businesses will see a direct benefit from this tax package," said Democratic Gov. John Baldacci. "Small businesses make up much of Maine's economy and pay taxes through the individual income tax. Lowering the top rate leaves them with more money to invest," he said.

Maine's historic gay marriage law is under challenge by a citizen's group that aims to put the issue on the ballot in November. Scheduled to take effect Sept. 16, the new law will be suspended until the outcome of the vote if the signature-gathering campaign is successful. Baldacci also signed major energy legislation aimed at making

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Maine a leader in wind power and other renewable energy sources. Lawmakers created medical school scholarships, authorized money to develop medical information technology and launched a universal wellness program that includes anti-obesity measures.

To help low-income families, the Legislature made a portion of the state's earned income tax credit refundable, providing tax rebates for those who do not make enough income to pay taxes. The Legislature also banned smoking in outdoor dining areas, added \$5,500 to new federal cash incentives for new homebuyers, and required employers to provide working mothers the time and a private space to express breast milk for their newborns.

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Maine's Governor John Baldacci concluded his State of the State address with the following words:

I would like to return to Governor Brann, who served our State during the worst of economic times.

He said: "Maine women and Maine men have never faltered in the crisis. The ruggedness and stern grandeur of our land are reflected in the character of our people. The future of Maine has always been safe in the hands of its sons and daughters, and never more so than today."

Now in 2009, we have within reach the power to shape our own future, to write the next chapter in this Great State's story.

When our grandchildren and their children look back, I want them to see in us a generation that answered the call, that transformed Maine.

Our way forward is not just about energy. Or a cleaner environment, or even the jobs we'll create today, although all those things are important.

What I'm talking about is a new economy, one that's built to succeed in a rapidly changing world. But it's an economy that will rely upon those same Maine traits that have served us so well: Honesty, Integrity, Quality, Pride and Workmanship. Maine Built is Best Built.

There's a new era of opportunity and prosperity on the horizon. We will get there together.