



Maine Equal Justice
People Policy Solutions

126 Sewall Street
Augusta, ME 04330-6822
TTY/Voice: (207) 626-7058
Fax: (207) 621-8148
www.mejp.org

Ann Danforth
Policy Advocate
(207) 626-7058 x216
adanforth@mejp.org

Testimony of Ann Danforth, Maine Equal Justice, in support of LD 1524, “An Act To Amend the Maine Exclusion Amount in the Estate Tax” and LD 1704, “An Act To Change the Exclusion Amount under the Estate Tax and Provide Additional Funding for the Housing Opportunities for Maine Fund”

May 13, 2021

Good morning Senator Chipman, Representative Terry, and members of the Committee on Taxation. My name is Ann Danforth and I am a Policy Advocate at Maine Equal Justice. We are a civil legal services organization, and we work with and for people with low income seeking solutions to poverty through policy, education, and legal representation. Thank you for the opportunity to testify in support of LD 1524 and LD 1704.

What LD 1524 does

LD 1524 returns the exclusion amount, below which the Maine estate tax does not apply, to **\$2,000,000** from the \$5,600,000 in current law for estates of decedents dying on or after January 1, 2022. This bill also creates an additional exclusion amount from the estate tax for family farms and aquaculture, fishing and wood harvesting businesses of up to \$3,800,000. This additional exclusion applies to farmland or depreciable machinery and equipment used in agriculture, aquaculture, fishing or wood harvesting that is inherited by a family member and remains in commercial use for five years following transfer. Both the \$2,000,000 exclusion amount and the \$3,800,000 additional exclusion amount are annually adjusted for inflation beginning in 2024.

What LD 1704 does

LD 1704 reduces the exclusion amount, below which the Maine estate tax does not apply, to **\$1,000,000** from \$5,600,000 for estates of decedents dying on or after January 1, 2022 and removes the annual adjustment for inflation of that exclusion amount. The bill creates an additional exclusion amount from the estate tax for family farms and aquaculture, fishing and wood harvesting businesses of up to \$3,800,000. This additional exclusion applies to farmland or depreciable machinery and equipment used in agriculture, aquaculture, fishing or wood harvesting that is inherited by a family member and remains in commercial use for five years following transfer. The Treasurer of State must credit 50% of the revenue generated by the reduction in the exclusion amount beginning January 1, 2022 to the General Fund and 50% the Maine State Housing Authority. The Maine State Housing Authority must deposit the funds credited to it in the Housing Opportunities for Maine Fund. The bill directs the Maine State Housing Authority in consultation with the Permanent Commission on the Status of Racial, Indigenous and Maine Tribal Populations to develop a racial equity assessment tool to use when evaluating project

funding and report to the Joint Standing Committee on Labor and Housing on the development of this tool no later than October 1, 2022.

Why Maine Equal Justice supports these bills

COVID-19 has made it all too clear that our economy and governmental systems are failing many low-income Mainers, particularly those from Black, Indigenous, and communities of color. Even before the pandemic, Mainers were struggling to meet their most basic needs. While 10.9% of Mainers – or just over 1 in 10 – experienced poverty in 2019, according to the Census Bureau, this picture is now much more dire.¹ According to the most recent Census Household Pulse data, 30% of Mainers report difficulty covering usual household expenses.²

As we look to rebuild our economy, we should look at ways to create a more equitable future for the children and families in our state. To this end, Maine Equal Justice has been working with people directly impacted by poverty, as well as advocates and other stakeholders, to begin to build a shared vision for achieving economic security for everyone in the state. While the group coalesced around the need for direct income supports, the group also agreed that in order for an income solution to be effective, it needs to target racial and economic inequities, including the “wealth gap,” that gets at disparities in assets and net worth.

Due to structural and historical privileges such as greater wealth and fewer barriers to higher education, white Mainers are only half as likely as Mainers of color to experience poverty or unemployment, according to a 2019 analysis³. Among those Mainers who are employed, white men and women continue to be paid more than men and women of color. Lower wages and a greater likelihood of poverty and unemployment make it harder for Mainers of color to grow wealth or to become entrepreneurs — as evidenced by the lower rates of home and business ownership compared to whites.

It is also well documented that individuals who grow up in poor families are much more likely to be poor in early adulthood, and that the chances of being poor in early adulthood increase sharply as the time spent living in poverty during childhood increases.⁴ This cycle of intergenerational poverty, coupled with policies and a tax code that hinder the ability of people of color to build wealth, have led to stark racial wealth disparities nationally and in our state. Today, white families are more than three times as likely as Black families to receive an inheritance, and when they do, the inheritance received by white families is almost triple what Black families receive.⁵

These bills would help build a more equitable tax system and support Mainers with low income and people of color

An important first step we can take to begin to remedy this type of structural inequality is to adopt a tax code that increases taxes on the wealthiest – many of whom have become even wealthier during the COVID-19 pandemic – while putting those resources into supporting those who need it most.

¹ <https://data.census.gov/cedsci/table?q=maine%20poverty&tid=ACSST1Y2019.S1701&hidePreview=true>

² <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and>

³ <https://www.mecep.org/wp-content/uploads/2019/06/MECEP-racial-inequality-fact-sheet-FINAL.pdf>

⁴ <https://www.nccp.org/publication/childhood-and-intergenerational-poverty/>

⁵ Jones, Janelle. “Receiving an inheritance helps white families more than black families.” *Economic Policy Institute*. February 17, 2017. <https://www.epi.org/publication/receiving-an-inheritance-helps-white-families-more-than-black-families/>

Wealth taxes such as the estate tax are one of the most effective tools for addressing economic inequality.⁶ And LD 1704, in particular, thoughtfully targets racial inequities in housing as well by ensuring a portion of the funds generated by the bill goes towards the development of a racial equity assessment tool that will better inform the Maine State Housing Authority's program implementation. Maine Equal Justice uses racial equity assessments to evaluate our major legislative priorities, so that we can better understand how to create policies that move Maine toward greater justice and fairness for all. They have helped us do better work for Black, Indigenous and People of Color in Maine and we believe they would similarly help agencies like Maine Housing that administer vital government services.

Conclusion

In conclusion, Maine Equal Justice supports LD 1524 and LD 1704 because of the opportunity these changes to our tax code afford to make Maine's tax laws more equitable.

Thank you for the opportunity to express our support for this bill. I am happy to answer any questions you might have.

⁶ Austin, Sarah. "Strengthening Maine's Estate Tax Would Help Tackle Wealth Inequality." *Maine Center for Economic Policy*. February 27, 2020. <https://www.mecep.org/wp-content/uploads/2020/02/MECEP-Estate-Tax-Brief-February-2020.pdf>