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Earned Income Credit

Maine House rejects capital gains tax cut, backs bill to hike earned income credit.

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April 02—AUGUSTA, Maine — Two tax relief bills that would benefit opposite ends of the income spectrum received mostly party-line votes Tuesday in the House of Representatives.

Democrats, who hold a majority in the House, banded together in support of one measure, An Act to Increase the State Earned Income Credit, which would increase the state-level earned income tax credit. The majority voted against another bill, An Act to Reduce the Income Tax on Capital Gains, that would have cut taxes on capital gains income by more than 50 percent. The two measures, which came from the Legislature's Taxation Committee with mostly party-line recommendations, now head to the Senate for further consideration.

Republicans argued that cutting taxes on capital gains would actually bring more revenue into state coffers because reducing the rate would cause many investors to sell. The bill, sponsored by Rep. Richard Malaby, R-Hancock, would reduce taxes on capital gains by exempting 50 percent of capital gains held for more than a year from state income taxes of 7.5 percent.

Malaby argued on the House floor Tuesday that capital gains are not "regular income" and reflect earnings by people who create jobs and invest in economic development. He said Maine currently has the eighth-highest tax rates for capital gains in the country.

"Right now is kind of the perfect time to decrease rates," said Malaby. "The stock market has never been higher and investors are very likely to recognize gains. ... I am

a Republican. I am looking forward to cutting this gains rate because it will increase

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increased state revenues.

“A tax reduction at this moment certainly couldn’t fill that shortfall in the immediate term nor in the near term as well,” said Jones.

Rep. Wayne Parry, R-Arundel, tied the proposal to job creation and a possible counterpoint to recent Democrat-led votes in the House and Senate in favor of increasing the minimum wage. The minimum wage bill faces more legislative votes and possible veto by Gov. Paul LePage.

“If we don’t start helping the people that actually hire the employees we will never have more jobs in Maine,” Parry said. “By raising the [minimum wage] labor cost by 20 percent and not helping them on their capital investments that they’re risking in this economy, you will never have more jobs in Maine.”

Only Rep. Bryan Kaenrath, D-South Portland, and Rep. Corey Wilson, R-Augusta, broke from the party-line vote. The House’s four independents voted with the Democrats.

Portland Democrat Rep. Peter Stuckey’s bill, LD 455, An Act to Increase the State Earned Income Credit, would double the state earned income tax credit for low-income individuals and families to 10 percent of the federal earned income tax credit and make it fully refundable at the state level.

Democrats said the bill would provide financial relief to those who need it most, people who are likely to spend the money locally on necessities such as rent and groceries.

“We heard over and over again that the people who are going to get this credit are going to buy groceries, gas for their cars, and pay their rent,” said Rep. Adam Goode,

D-Bangor, who co-chairs the Legislature's Taxation Committee. "These are people

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would be helpful for a lot of needy Mainers, but said now is not the time to cut \$55 million in revenues from state coffers. He also added that the Legislature helped a lot of those people last year by cutting income taxes for some 70,000 low-income people.

The vote in favor of the bill was 91-52 with Republican Reps. Lance Harvell of Farmington and Matthew Pouliot of Augusta voting with the Democrats. As with the other tax bill debated Tuesday, the House's four independents voted with the Democrats.

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