

MAINERS for TAX FAIRNESS

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Restoring Maine's Estate Tax Will Help Address Runaway Wealth Inequality and Raise Resources to Help Working-Class Families Prosper

- When the wealthiest pay their fair share in taxes, Maine can make economy-boosting investments that benefit everyone, not just those at the top.
- Wealth taxes such as the Estate Tax are one of the most effective tools for addressing economic inequality.¹ But Maine's Estate Tax has been watered down for decades, with an ever-expanding loophole allowing more and more wealth to accumulate at the top, tax-free.
- The Estate Tax is a highly targeted way to make the wealthy pay their fair share and to fund investments that build a more equitable economy for everyone. Maine can tackle inequality head-on by closing its Estate Tax loophole so that multi-million-dollar estates can no longer avoid the tax entirely.
- The Estate Tax affects very few individuals or families and is highly exportable. Many of the Maine estates that owe tax in any given year are held by residents from other states. Virtually no family farms or other family-owned businesses are affected by the Estate Tax.

Those at the Top are Claiming More and More of Society's Wealth and Inadequate Wealth Taxes Make Things Worse

Wealthy families leverage their wealth as influence over our economic and political system to increase their share of the pie and pass a growing fortune down to future heirs.

Wealth inequality is growing fast. Between 1989 and 2016, the share of wealth held by the top 1 percent grew from 30 percent to 39 percent. At the same time, the share held by the bottom 90 percent of households declined from 33 percent to 23 percent.² Inequality has gotten even worse during the COVID-19 pandemic.

At the same time, lawmakers weakened Maine's only tax targeted at high-end wealth: the Estate Tax. Now, a loophole in the tax is so large that the wealthiest can pass on up to \$5.8 million of wealth without paying the tax at all. The weakened Estate Tax helps the wealthiest families avoid taxes, even as our communities and schools lack the resources they need to serve all Maine families well.

Effective wealth taxes can help prevent runaway inequality across generations, while raising resources that can be invested in schools, health care, and other priorities that create opportunities for prosperity for low- and middle-income families.

A Stronger Estate Tax Will Help Rein in Runaway Inequality

More than half of all wealth is inherited, not earned. The status quo perpetuates inequality across generations, as the wealthiest families leverage their abundant resources to increase their share of the economic pie and pass their wealth on to their heirs.

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This system also makes racial inequality worse. It perpetuates and exacerbates the legacy of discrimination and of racist policies such as redlining and segregation, which reduced the ability of people of color to accumulate wealth — and thus to pass that wealth on to their children. 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.³

A strong Estate Tax can help reduce inequality in Maine. Closing the Estate Tax loophole, which allows wealthy heirs to accumulate up to nearly \$6 million tax-free, will strengthen this anti-inequality tool. It will also help raise the resources necessary to make investments that make it possible for all Mainers to climb the economic ladder, like education, health care, and infrastructure.

The Estate Tax is Highly Targeted and Exportable, with Many Maine Estates Held by Residents of Other States

Maine's Estate Tax affects only the very wealthiest people, many of whom don't even live in Maine. Between 2013 and 2015, less than 1 percent of Mainers who died had estates large enough to owe any taxes. Of those Maine estates that did owe taxes, 41 percent were held by residents of other states.⁴

Family businesses are nearly universally unaffected by the Estate Tax. Maine's farms, for example, had average land and equipment valuations of \$528,000 in 2017.⁵ Once other factors such as debt and considerations for closely held businesses are factored, virtually no farm pays Estate Tax. That will remain true even if Maine closes the Estate Tax loophole so that more wealthy estates pay.

About Mainers for Tax Fairness:

Mainers for Tax Fairness is a coalition dedicated to cleaning up Maine's tax code to fund investments that build thriving communities. The coalition represents teachers, health care providers, policy experts, workers, small business owners, advocates for children and families with low incomes, and other groups fighting to improve tax fairness and build a stronger, more inclusive economy for all Mainers. Learn more at mainersfortaxfairness.org.

¹ Austin, Sarah. "Strengthening Maine's Estate Tax Would Help Tackle Wealth Inequality." *Maine Center for Economic Policy*. February 27, 2020. <https://www.mecp.org/wp-content/uploads/2020/02/MCEP-Estate-Tax-Brief-February-2020.pdf>

² Stone, Chad, et. al. "A Guide to Statistics on Historical Trends in Income Inequality." *Center on Budget and Policy Priorities*. Updated January 13, 2020. <https://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality>

³ 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/>

⁴ Austin, 2020.

⁵ USDA, National Agricultural Statistics Service. 2017 Census of Agriculture - State Data; In 2017, Maine had 7,600 farms which had a median land value of \$446,614 and median equipment value of \$81,719.