

MAINERS for TAX FAIRNESS

MainersForTaxFairness.org

LD 1047: An Act to Impose an Additional Tax on Certain Unearned Income

Most working Mainers earn their income through wages. But the wealthiest individuals often make money in a different way — through *unearned income* from capital gains on investments.

Capital gains are income that comes from selling assets that have increased in value — things like vacation homes or other investment properties, high-value art, or stocks.

Today, our tax system treats this unearned income the same as wages, even though it's not money earned through work. [LD 1047](#) aims to fix that by adding a 4% surcharge on annual capital gains income over \$250,000 for individuals and \$500,000 for married couples.

The Legislature should go even further by creating a net investment income tax, which would apply not only to capital gains but also other types of investment income, including interest and dividends.

The Unearned Income Surcharge Affects Only the Wealthy

For most families, the only major asset that could generate significant capital gains is their home. But LD 1047 wouldn't affect homeowners selling their primary residence in most cases. That's because federal and state tax laws already exempt up to \$250,000 in capital gains from the sale of a primary residence for single filers, and up to \$500,000 for joint filers. This bill does not change that.

That means LD 1047 would only impact the wealthiest Mainers — those making substantial profits from high-value investments beyond their homes.

Taxing Unearned Income Will Help Stop Cuts and Protect Critical Needs

While the wealthy have continued to build wealth — even through economic downturns — working Mainers are struggling with rising costs on everyday essentials. And even before COVID, those at the top paid lower overall tax rates than middle-class families.

Taxing unearned income would make our tax code fairer. LD 1047 would raise over \$100 million a year. That revenue could prevent harmful budget cuts and fund much-needed investments in education, health care, infrastructure, and child care — building stronger communities and a fairer economy for everyone.

About Mainers for Tax Fairness

Mainers for Tax Fairness is a coalition dedicated to cleaning up Maine's tax code to fund investments to 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. MainersForTaxFairness.org