



To: Stop the Scam Maine Coalition
From: Stop the Scam Maine Steering Committee
RE: Finance Committee membership

Executive Summary: The most important aspect of defeating the upcoming Question 1 referendum will be, are we able to meet our fundraising goal. We know that the opposition is well funded and has already received 350k from a George Soros backed group and more will follow. Based on our polling, if we are able to raise enough money, we will be able to defeat the referendum. The coalition needs to raise \$1 million through a finance committee made up of individuals from each business sector in Maine that will help ensure that we will defeat the tax scam. The time commitment will be at least one in-person meeting, then check-in's via conference calls and one on one phone calls with campaign staff until election day. This will be the most important activity we undertake as a coalition - **if the referendum passes, it will cost Maine taxpayers and businesses \$310 million to start.** Below is a summary of how the tax will work if it passes. So the question is, **can we raise \$1 million to stop an annual \$310 million tax. You in?**

HOW THE PROPOSED \$310 MILLION TAX SCAM WILL IMPACT MAINE TAXPAYERS

In A Nutshell

Question 1 creates a new **3.8% surtax on household income** above \$128,400 and a new **3.8% payroll tax** in the workplace.

Employers & Employees

Every employee whose earnings exceed \$128,400 (the social security threshold in 2018) will be subject to a new 1.9% payroll tax on their earnings above that level. The employer will also be taxed 1.9% on those above-the-threshold earnings for that employee.

Employees and employers who do not pay social security taxes must still pay this new tax. For example, government workers and others not subject to social security and who do not pay social security taxes – and their employer – will also be subject to this new combined 3.8% payroll tax.

Households

Every household with Maine adjusted gross income above the \$128,400 threshold will be subject to a 3.8% surtax on that income (with offsets for any employee and employer-paid payroll taxes).

Two-earner households will be subject to the new surtax if filing a joint tax return, even if neither person makes more than \$128,400 individually. As long as the combined household income of both people is over the threshold, the tax will be owed. In essence, lower-income filers will not get any help paying the tax from their employer.

Also, many non-wage sources of income (which are not subject to social security taxes) will also be taxed an additional 3.8%.

This surtax amount on Maine adjusted gross income will be in addition to the 7.15% tax on Maine taxable income.

Self-Employed & Business Owners

Maine adjusted gross income that will be taxed at the 3.8% rate on the household tax return includes income from business earnings and self-employment. Business earnings include those from a sole proprietorship, partnership, S corporation, LLC and so forth.

What is Adjusted Gross Income?

Maine AGI includes the taxpayer's federal adjusted gross income (line 37 of the 1040) with certain income modifications at the Maine 1040 level.

These Maine modifications include additions to federal adjusted gross income as well as subtractions (as calculated on Schedule 1 of the Maine 1040).

Maine AGI includes:

- Wage Income
- Rental Income
- Farm Income
- Self-employment Income
- Pass-through Entity Income

Business earnings that are passed through to a taxpayer – from a sole proprietorship, partnership, S corporation, LLC, and so forth – will be subject to the 3.8% surtax if the taxpayer's household Maine AGI exceeds the \$128,400 threshold.

- Alimony

(See Backside for more detail.)



FEDERAL Form 1040 (Tax Year 2017)

Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2		7		
	8a	Taxable interest. Attach Schedule B if required		8a		
	b	Tax-exempt interest. Do not include on line 8a	8b			
	9a	Ordinary dividends. Attach Schedule B if required		9a		
	b	Qualified dividends	9b			
	10	Taxable refunds, credits, or offsets of state and local income taxes		10		
	11	Alimony received		11		
	12	Business income or (loss). Attach Schedule C or C-EZ		12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13		
	14	Other gains or (losses). Attach Form 4797		14		
	15a	IRA distributions	15a		b Taxable amount	15b
	16a	Pensions and annuities	16a		b Taxable amount	16b
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17		
	18	Farm income or (loss). Attach Schedule F		18		
	19	Unemployment compensation		19		
	20a	Social security benefits	20a		b Taxable amount	20b
	21	Other income. List type and amount		21		
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income		22		

Adjusted Gross Income	23	Educator expenses	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
	25	Health savings account deduction. Attach Form 8889	25	
	26	Moving expenses. Attach Form 3903	26	
	27	Deductible part of self-employment tax. Attach Schedule SE	27	
	28	Self-employed SEP, SIMPLE, and qualified plans	28	
	29	Self-employed health insurance deduction	29	
	30	Penalty on early withdrawal of savings	30	
	31a	Alimony paid b Recipient's SSN	31a	
	32	IRA deduction	32	
	33	Student loan interest deduction	33	
	34	Tuition and fees. Attach Form 8917	34	
	35	Domestic production activities deduction. Attach Form 8903	35	
	36	Add lines 23 through 35	36	
	37	Subtract line 36 from line 22. This is your adjusted gross income	37	

MAINE Form 1040 (Tax Year 2017)

taxable income	14	FEDERAL ADJUSTED GROSS INCOME	14		.00
	15	INCOME MODIFICATIONS. (From Schedule 1, line 3.)	15		.00
	16	MAINE ADJUSTED GROSS INCOME. (Line 14 plus or minus line 15.)	16		.00

3.8% surtax on this number less workplace tax credit

MAINE Schedule 1 Income Modifications (Tax Year 2017)

ADDITIONS to federal AGI

- a. Income from municipal & state bonds other than Maine
- b. Net Operating Loss Recovery Adjustment
- c. Maine Public Employee System Contributions
- d. Domestic Product Activities Deduction Add-back
- e. Bonus Depreciation Add-back
- f. Maine Capital Investment Credit Bonus Depreciation Add-back
- g. Fiduciary Adjustment – additions only
- h. Other

SUBTRACTIONS to federal AGI

- a. U.S. Government Bond interest included in federal adjusted gross income
- b. State Income Tax Refund (if included in federal AGI)
- c. Social Security and Railroad Retirement Benefits included in federal AGI
- d. Pension Income Deduction
- e. Interest from Maine Municipal General Obligation, Private Activity and Airport Authority Bonds included in federal AGI
- f. Maine Public Employees Retirement System Pick-Up Contributions paid to the taxpayer during 2017 which have been previously taxed by the state
- g. Fiduciary Adjustment – subtractions only
- h. Bonus Depreciation and Section 179 Recapture
- i. Other