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March 30, 2017

Representative Paul Chace
Maine House of Representatives

Via E-mail

Re: COST's Support of Proposal (L.D. 290, H.P. 223) to Eliminate Insurance Premiums Tax on Annuities

Dear Representative Chace:

On behalf of the Council On State Taxation (COST),¹ we are writing in support of your legislation (L.D. 290, H.P. 223) to phase out the application of Maine's insurance premiums tax to annuities. From a policy perspective, taxing annuities, which are essentially retirement savings vehicles, is inappropriate, and we applaud your efforts to repeal such a tax.

As you are aware, subjecting annuities to the insurance premiums tax increases the cost of conducting business and thereby reduces the availability of retirement security products for consumers. We recognize that the repeal of this tax would result in both a more favorable business climate for insurers and a reduction in overall costs of investing for consumers.

With the continued shift to defined contribution plans and increased longevity, Americans are being challenged to not only save for retirement, but also to make those savings last a lifetime. Given these factors, your legislation could not be more timely for your residents, retirees, and insurance companies conducting business in Maine.

Overall, we feel that L.D. 290, H.P. 223 would improve Maine's tax system by enhancing equity, fairness, and competitiveness in the State, and Maine would join the majority of states that do not impose their premiums tax on annuities. Currently Maine is one of only seven states that imposes a tax on sales of annuities, and is one of two currently proposing to repeal that tax. COST fully supports L.D. 290, H.P. 223.

Sincerely,

David C. Sawyer

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

¹ COST is a nonprofit trade association consisting of approximately 600 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.