



David C. Sawyer
Tax Counsel
(202) 484-5226
DSawyer@cost.org

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April 17, 2017

Chair Dana L. Dow
Chair Ryan Tipping
Maine State Legislature
Joint Committee on Taxation

Via E-mail

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

Dear Chair Dow, Chair Tipping, and Members of the Committee:

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

Subjecting annuities to the insurance premiums tax increases the cost of conducting business and thereby reduces the availability of retirement security options for consumers. 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, this legislation could not be more timely for residents, retirees, and insurance companies conducting business in Maine.

Under L.D. 290, H.P. 223, Maine would join the vast majority of states by not imposing its 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 to propose repealing that tax this year. COST urges members of the committee to support L.D. 290, H.P. 223.

Respectfully,

David C. Sawyer

cc: Representative Paul Chace
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.