

Testimony in Opposition to LD 258 Part J

February 15, 2023

Good morning Senators Rotundo and Curry, Representatives Sachs and Roberts, and members of the Appropriations and Financial Affairs and IDEA-B Committees. My name is Maura Pillsbury and I am a tax analyst at the Maine Center for Economic Policy. I am here to speak in opposition to Part J of the budget, which extends the Pine Tree Development Zones (PTDZ) program for five more years.

The PTDZ program provides a host of tax advantages to businesses for five to ten years, including a 100 percent income tax exemption, for creating as little as one job. The program is set to sunset, ending new applications after December 31 of this year and ending any program benefits after December 31, 2033. This program costs the state an estimated \$8-\$10 million per year.<sup>i</sup>

This program has been extended and redesigned many times, and yet, evaluations from the legislature's watchdog agency determined that the program is unable to show evidence of efficacy, despite the legislature's attempts to improve it. For example, in OPEGA's 2020 report on the program, they found as a main conclusion: *"The amended design of PTDZ ensures that benefits will mostly be provided only to businesses that create and retain at least one quality job and requires notarization of "but for" statements filed by applicants. However, these amendments do not guarantee that PTDZ is actually resulting in more quality job creation and retention than would have happened without the program."*<sup>ii</sup>

The legislature should end the PTDZ program as scheduled rather than continue to extend it despite the lack of evidence supporting its efficacy. The resources being expended by this program could be better targeted to help businesses and workers who need it most. Providing incentives for job creation does little to help support employers who cannot find workers to keep their doors open. As part of my testimony, I am attaching a summary of a forthcoming MECEP report on why these types of programs do not work, and what the state should be doing instead.

While this program has undoubtedly helped support businesses who needed it, the program is poorly targeted to help businesses who need it the most, giving out benefits regardless of whether a business is a corner store that struggled to keep its doors open during the pandemic, or a large corporation that reaped huge recent increases in profits from driving up prices for consumers. Large corporations have a much greater tax liability than local corner

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stores—which means benefits of this program may disproportionately go to larger, more profitable employers, not necessarily businesses that are the cornerstone of our local communities that are struggling to survive. In fact, in DECD’s recently released interim economic development evaluation, several businesses interviewed said they do not consider PTZ in their companies’ decision-making process and the value of tax incentives is just part of their bottom lines.<sup>iii</sup>

We urge you to end this program and redirect the resources elsewhere to better meet the needs of Maine communities, workers, and small businesses.

Thank you for your time. I would be happy to answer any questions.

Contact information: [maura@mecep.org](mailto:maura@mecep.org)

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<sup>i</sup> Maine State Tax Expenditure Report 2022-2023. Includes increased ETIF reimbursement, income tax credit, and sales tax exemptions and reimbursements.

<sup>ii</sup> Office of Program Evaluation and Government Accountability, “Pine Tree Development Zones (PTZ) – A Limited Scope Review,” November 2020.

<sup>iii</sup> EBP. Interim Program Evaluation Report, Maine Department of Economic and Community Development. February 2023.

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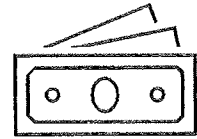
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## Are tax giveaways worth the money?

Business incentives shouldn't go to massive corporations, but instead to supporting Maine people and small businesses.

Maine forgoes billions of dollars in tax collections each year by giving out tax breaks. These “tax giveaways” are costly and sometimes poorly targeted to achieve intended outcomes. When Maine chooses to invest in unproven tax breaks, we lose revenue that could be better spent to strengthen Maine’s workforce and grow our economy.



Instead of funneling money into unproven tax giveaways, the state should invest funds in programs including housing, child care, and paid leave that will improve economic opportunities for all Mainers, advance equity, and allow people to fully participate in the workforce.

### Did you know?

- Tax giveaways cost Maine billions of dollars each year
- Outcomes and impacts of Maine tax giveaways are often unclear
- Research shows business tax giveaways aren't worth it
- Business tax giveaways shift costs onto Maine taxpayers
- Unproven tax giveaways take money from other important priorities
- Giving money to powerful corporations perpetuates wealth inequality and structural racism

### Solutions

- **Make data on business tax giveaways transparent and accessible to the public.** Data challenges make it difficult to draw conclusions about Maine’s programs and their effectiveness. Without this information, we’re in the dark about whether money the state is giving away could be better spent elsewhere — including proven ways to achieve the outcomes tax giveaways often promise but don’t deliver.
- **Ensure businesses receiving tax breaks fulfill expected outcomes.**
- **End unproven tax expenditures and dedicate resources to evidence-based policies and programs.** These include programs such as the child tax credit; policies that advance equity and address barriers for women and people of color, and others traditionally left out, such as paid family leave and criminal justice reform; supports Mainers need to fully participate in the workforce, such as child care and housing; job and skills training; and programs supporting entrepreneurship and innovation.

**Supporting tax giveaway programs in hopes they will solve the challenges facing an industry or Maine’s economy is putting a band-aid on a problem, rather than finding solutions at a deeper systemic level.**