

Overview of Tax Expenditures Review Process

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What are Tax Expenditures?

State tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability.

(5 MRSA §1666)

Legislative History & Context

- Maine Legislature enacted tax expenditure reviews in 2015
“An Act To Improve Tax Expenditure Transparency and Accountability” (PL 2015, c.344)
- Law requires:
 - ✓ GOC to organize and schedule tax expenditure reviews
 - ✓ OPEGA to conduct “full evaluation” reviews
 - ✓ Taxation Committee to conduct “expedited” reviews

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Process for Review of Tax Expenditures (3 §998)

GOC responsibilities

- Assign a review category for each tax expenditure.
 - A. Full Evaluation**
 - B. Expedited Review**
 - C. No Review**
- Establish prioritized schedule for review
- Annually review and adjust assignments and schedule
- Consult with Taxation Committee on assignment/schedule

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Full Evaluation of Tax Expenditures (3 §999)

- Conducted by OPEGA
- Expenditure provides incentive for specific behavior or benefit to specific group, or has measurable goals
- For each evaluation, GOC required to approve:
 - › *Purpose, intents and goals*
 - › *Intended beneficiaries*
 - › *Evaluation objectives*
 - › *Performance measures*
- Input from OPEGA, Taxation Committee and stakeholders
- OPEGA report goes to GOC and Taxation Committee

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Expedited Review of Tax Expenditures (3 §1000)

- Conducted by Taxation Committee
- Expenditures intended to implement broad tax policy goals
- Assess continued relevance of or need for adjustments to:
 - ✓ *Broad tax policy under review*
 - ✓ *Individual tax expenditures in the tax policy area*
- OPEGA provides summary information to support review
- Taxation Committee reports results to Legislature annually

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Review Activity 2015-2021

Expedited Review Category / Taxation Committee

- Organized into 7 policy areas (6 year review cycle)
- Have completed 5 policy areas to date
- Remaining 2 tax policy areas scheduled for 2021

Full Evaluation Category / OPEGA

- Completed: 6 tax expenditures
- In-progress: 3 tax expenditures
- Limited scope/follow-up reviews completed: 2