

## Jones, Julie

**From:** Allen, Michael J. (MRS) <Michael.J.Allen@maine.gov>  
**Sent:** Monday, March 22, 2021 11:04 AM  
**To:** Jones, Julie  
**Cc:** Voynik, Suzanne; Popadak, Heather O; Trundy, Anya; Sagaser, John W.; DAlessandro, Daniel  
**Subject:** RE: LD 217 Questions from Rep. Carmichael  
**Importance:** High

LD 217

emailed to  
MC 3/23 11:25

This message originates from outside the Maine Legislature.

Hi Julie and Suzanne,

Here is our response for Rep. Carmichael.

LD 217 proposes to make contributions to pay off school meal debt tax deductible. Rep. Carmichael asked if LD 217 addresses any areas that are not already addressed in current tax law. Or, are there any contributions that are not currently allowed by the Internal Revenue Code (IRC) but would be allowed if LD 217 is enacted?

Generally, a charitable contribution to an educational institution or governmental agency for a public purpose is deductible for federal and Maine income tax purposes. The contribution to schools that is the subject of LD 217 appears to be already fully eligible for the federal and Maine charitable contribution deduction under IRC § 170 (to which Maine conforms) as either a contribution to a governmental agency or to an educational institution. MRS is unaware of any reason why the contribution envisioned by the bill would not qualify for federal and Maine deduction under existing law.

Note: LD 217 defines 'school' by referring to §1752, sub-§ 14-E, which is the definition used for Maine sales tax purposes. This definition generally falls within the more broadly defined term qualified charitable organization, as used in the IRC.

### Maine Revenue Services

§1752, sub-§ 14-E. School. "School" means a public or incorporated nonprofit elementary, secondary or postsecondary educational institution that has a regular faculty, curriculum and organized body of pupils or students in attendance throughout the usual school year and that keeps and furnishes to students and others records required and accepted for entrance to schools of secondary, collegiate or graduate rank. [PL 2007, c. 438, §30 (AMD).]

This would create a double-benefit for those taxpayers that itemize on their individual tax return or have charitable deductions at the business level. We do not expect many taxpayers (less than 100) to take a separate deduction at the state level if this bill was enacted. The tax benefits at the state level would be relatively minor (7.15% or 8.93%) and would not in our view provide much of an incentive to make or shift contributions to this charitable purpose. In addition, the complexity both to the taxpayer and MRS of adding additional lines to negate the double-benefit is not worth it for the number of returns we expect to take the deduction.

We would respectfully suggest that a direct appropriation from DOE to the school districts over burdened by meal debt would be the more efficient and effective approach to addressing this concern.

Thanks.

Mike

**From:** Jones, Julie <Julie.Jones@legislature.maine.gov>  
**Sent:** Wednesday, March 17, 2021 8:24 AM  
**To:** Allen, Michael J. (MRS) <Michael.J.Allen@maine.gov>  
**Cc:** Voynik, Suzanne <suzanne.voynik@legislature.maine.gov>  
**Subject:** FW: LD 217 Questions from Rep. Carmichael

Hi Mike

Questions below from Rep. Carmichael about LD 217. Work session is 3/23.

1. Assuming this would be a charitable contribution, I think I know how it would work for an individual, but I do not know how charitable contributions work for corporations.
2. Just a fiscal estimate (revenue, admin) is adequate, I think. Testimony of Eileen King from Maine School Management Association had school debt estimates for 3 school districts (\$10,000, \$14,000, \$18,000). They might have more?

If you could have something for him before the work session, I think that would be helpful. Thanks.

If you respond to him, please also cc: me. Thanks.

Julie

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**From:** Carmichael, Meldon  
**Sent:** Wednesday, March 17, 2021 7:29 AM  
**To:** Jones, Julie <Julie.Jones@legislature.maine.gov>  
**Subject:** LD 217

Good Morning

I was asked to send any questions I had for MRS on to you so they could supply answers for our work session.

- 1) Does LD 217 address any areas that are not already addressed in current tax law?
- 2) Is there any way to attach a fiscal note to this? If so can you give an estimate of what this may be?

Thank you

Rep. Meldon "Micky" Carmichael

House District 137

*Please be advised that anything sent to me in my capacity as a legislator may become a matter of public record, per the Maine Freedom of Access Act [www.maine.gov/foaa](http://www.maine.gov/foaa). This means that others may ask to read these messages.*