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OFFICE OF PROGRAM EVALUATION AND
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TO: Julie Jones, Senior Analyst, Office of Fiscal and Program Review
FROM: Lucia Nixon, Director
DATE: March 24, 2021
RE: Annual Review of Tax Expenditure Review Category Assignments and Schedule

On Friday March 12, 2021, the Government Oversight Committee (GOC) conducted its annual review of the tax expenditure review category assignments and schedule pursuant to 3 MRSA section 998. With this memo, I am providing the adjustments to the category assignment and schedules, as approved by the GOC on March 12, for distribution to and consideration by the Taxation Committee. These are presented in three documents (attached):

1. Approved Adjustments to Review Category Assignments. The GOC approved the following adjustments:
 - A. Full Evaluation: Added one newly enacted tax expenditure
 - B. Expedited Review: Removed one repealed tax expenditure and added two newly enacted tax expenditures.
 - C. No Review: Added 5 newly enacted tax expenditures.
2. Approved Category B – Expedited Review. This reflects approved adjustments in 1.B above.
3. Approved Category A – Full Evaluation. This reflects approved adjustments in 1.A above.

Once the Taxation Committee has the opportunity to consider this information, I look forward to hearing from you as to whether the Taxation Committee: approves these documents as presented; wants to provide suggested changes; or wishes to consult further with the Government Oversight Committee regarding the tax expenditure review category assignments or schedule.

Thank you for your assistance with this annual process.

**1. Adjustments to tax expenditure review category assignments
Approved by the Government Oversight Committee on March 12, 2021**

Note: OPEGA catalogued new, repealed or modified tax expenditures from statutory changes in 2020. The statutory changes that create or repeal tax expenditures are listed below. There were no modifications that indicate changes to the review category of any existing expenditures.

Expenditure Program ID # Name	Brief Description	Tax policy goal		Revenue Loss Estimate	Revenue Loss Estimate	Statutory Cite:	Proposed adjustment
		Business Incentive - Financial Investment	Not listed in '22-'23 MSTER.	Not listed in '22-'23 MSTER.	36 MRS \$5219-9H WW		
Recommended changes to Category A - Full Evaluation by OPEGA							
189	Credit for Affordable Housing	<p>Taxpayer receiving a tax credit certificate from MSHA for an affordable housing project located in Maine, may claim a refundable tax credit for that taxable year. Credit is equal to either (1) the total federal low-income housing tax credit claimed under IRC section 42 using entire federal credit period for all buildings in a qualified Maine project, or (2) an amount equal to the lesser of \$500,000 or 50% of the qualified basis of an affordable housing project that incurs at least \$100K includable in eligible basis in construction or rehabilitation of an affordable housing project for which IRC section 42 is not claimed.</p>	Business Incentive - Financial Investment	\$8,645,000	\$9,500,000	36 MRS \$5219-9H WW	Enacted by PL 2019, c. 555, §6. Proposal: add to "Category A - Full Evaluation".
Recommended changes to Category B - Expedited Review by Taxation Committee							
143	Fuel Used in Certain Agricultural Production	Sales tax exemption available to some agricultural employers exempting 95% of fuel purchased for use at large, year-round greenhouse facilities. Effective beginning 1/1/2016 and repealed effective 12/31/2019.	Inputs to Tangible Products	Not listed in '22-'23 MSTER.	Not listed in '22-'23 MSTER.	36 MRS \$1760.9-H <i>R. Platt</i> <i>Sumner</i> <i>12/31/19</i>	Repealed by PL 2015 c.267 Pt KKKK \$1, effective from 12/31/2019. Scheduled for review in 2021. Proposal: remove from "Category B - Expedited Review".
191	Non-profit youth camps	Sales tax exemption for purchases by nonprofit youth camps as defined in Title 22, section 2491, subsection 16 that are licensed by the Department of Health and Human Services and receive an exemption from property tax under section 652, subsection 1.	Charitable - Youth	\$76,000	\$77,900	36 MRS \$1760(103)	Enacted by PL 2019, c. 550, §1. Proposal: add to "Category B - Expedited Review" and scheduled for review in 2025.
193	Non-profit world-wide, charitable organizations	Sales tax exemption for a nonprofit community-based worldwide charitable organization that, using private funding, provides financial support to other nonprofit charitable organizations at the community level, including, but not limited to, food banks and homeless or domestic violence shelters, to improve health and education and strengthen financial stability.	Charitable - Other	\$205,500	\$211,600	36 MRS \$1760(103)	Enacted by P.L. 2019, c. 552, §1. Proposal: Add to "Category B - Expedited Review" and schedule for review in 2024.
Recommended changes to Category C - No Review							

**1. Adjustments to tax expenditure review category assignments
Approved by the Government Oversight Committee on March 12, 2021**

Note: OPEGA catalogued new, repealed or modified tax expenditures from statutory changes in 2020. The statutory changes that create or repeal tax expenditures are listed below. There were no modifications that indicate changes to the review category of any existing expenditures.

ID #	Expenditure Program Name	Brief Description	Tax policy goal	Revenue Loss Estimate	Revenue Loss Estimate	Statutory Cite:	Proposed adjustment
186	ABLE Savings Account subtraction modification	For tax years beginning on or after Jan 1, 2020, earnings on funds held in qualified Achieving Better Life Experience (ABLE) accounts are deductible in calculating Maine taxable income.	Non-Business Incentive - Health & Safety	Not listed in '22-'23 MASTER.	Not listed in '22-'23 MASTER.	36 MRS §5122(2)(QQ)	Enacted by PL 2019, c. 348 §§1-3. Proposal: Add to Category C - No Review.
187	FAME "COVID-19" Loan Guarantee Program	The FAME loan guarantee program enacted by PL 2019, c. 617, Pt. I §2 (10 MRSA §§1100-BB through 1100-GG) includes a subsection which makes deferred or cancelled interest exempt from all State taxes.	Tax Relief - Individuals	Not listed in '22-'23 MASTER.	Not listed in '22-'23 MASTER.	10 MRS §1100-DD(6)	Enacted by PL 2019, c. 617, Pt. I, § 2 Proposal: Add to Category C - No Review.
188	Credit for Biofuel Commercial Production	A taxpayer engaged in the production of biofuels in the State who has received certification is allowed a credit against the tax imposed on income from the production of biofuel in the amount of 5¢ per gallon of liquid biofuel or gaseous biofuel with a BTU equivalent to that of one gallon of gasoline that replaces the use of petroleum or liquid fuels derived from other fossil carbon sources. For tax years beginning on or after Jan 1, 2020 this credit is reinstated.	Business Incentive - Targeted Industry	\$0 - \$50,000	\$0 - \$50,000	36 MRS §5219-X(5)	Reinstated by PL 2019, c. 628, § 2. Proposal: Add to Category C - No Review.
190	Renewable Chemicals Tax Credit	Taxpayer engaged in production of renewable chemicals in Maine may claim a credit 8¢ per pound of renewable chemicals produced. Credit may only be used to reduce the Maine tax imposed on income derived from production of renewable chemicals. Includes employment restrictions on contractors hired or retained to harvest renewable biomass used in production of renewable chemicals.	Business Incentive - Targeted Industry	\$47,500	\$95,000	36 MRS §5219-XX	Enacted by PL 2019, c. 628, §3. Proposal: Add to Category C - No Review.
192	Pet food assistance programs	Sales tax exemption for an incorporated nonprofit organization organized for the purpose of providing food or other supplies intended for pets at no charge to owners of those pets.	Charitable	\$5,400	\$5,550	36 MRS §1760(103)	PL 2019, c. 551, §1. Proposal: Add to Category C - No Review.

2. Category B - Expedited Review by Taxation Committee
List of broad tax policy goals, noting approved changes
Approved by the Government Oversight Committee on March 12, 2021

Review year	Tax policy goal/rationale	Adjustments
Cycle 1		
2021	(1) Conformity with Internal Revenue Code (2) Exemptions for Inputs to Tangible Products	Removed: Fuel Used in Certain Agricultural Production
Cycle 2		
2022	Necessity of Life Exemptions	
2023	Tax Fairness Exemptions	
2024	(1) Specific Policy Goal/Mandate Exemptions (2) Charitable Exemptions (1st half)	Added: Non-profit world-wide, charitable organizations
2025	Charitable Exemptions (2nd half)	Added: Non-profit youth camps
2026	Interstate and Foreign Commerce Exemptions	
2027	(1) Conformity with IRC (2) Exemptions for Inputs to Tangible Products	

3. Category A - Full Review by OPEGA
List of in progress and future evaluations
Approved by the Government Oversight Committee on March 12, 2021

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
IN PROGRESS							
4	Maine Seed Capital Tax Credit (Progress: In fieldwork)	Tax credit of up to 50% for capital investment in eligible businesses (including manufacturing, value-added natural resource enterprises, export businesses, advanced technology, and visual media production), with limitations.	Income	Credit	\$6,900,000	\$8,400,000	36 MRS §5216-B & 10 MRS §1100-T
6	Credit for Rehabilitation of Historic Properties (Progress: In preliminary research)	Income tax credit for expenditures in rehabilitation of certified historic properties, with limitations. Fiscal impact is expected to increase \$1.4 million in FY17 and perhaps more in future years as a result of recently enacted legislation. Tied to federal credit.	Income	Credit	\$8,950,000	\$9,200,000	36 MRS §5219-BB
3	Research Expense Tax Credit (Progress: In preliminary research)	Tax credit for qualified research expenses associated with certain technological and experimental research, with limitations. 15 year carry forward.	Income	Credit	\$1,650,000	\$2,180,000	36 MRS §5219-K
FUTURE EVALUATIONS							
Policy group: Business Incentive - Targeted Industry							
171	Shipbuilding Facility Credit	Nonrefundable income tax credit for 15 years (from tax years beginning on or after January 1, 2020) for major investments in a shipbuilding facility when criteria are met. Requires the credit to be reviewed by 2024 by OPEGA.	Income	Deduction	\$2,850,000	\$2,850,000	36 MRS §5219-RR
5	Tax Benefits for Media Production Companies	Tax credit (5% of nonwage production expenses, if >\$75,000) and reimbursement (12% of production wages) for certified productions of visual media production companies.	Income	Credit	\$150,000	\$150,000	36 MRS §5219-Y, 6902

3. Category A - Full Review by OPEGA
List of in progress and future evaluations
Approved by the Government Oversight Committee on March 12, 2021

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
185	Major Food Processing & Manufacturing Facilities Expansion Credit	Refundable income tax credit for construction or expansion of a qualifying food processing and manufacturing facility in Maine. Credit amount is equal to 1.8% of the taxpayer's qualified investment.	Income	Credit	\$0	\$1,111,500	36 MRS §5219-VV
14	Deduction for Contributions to Capital Construction Funds for maintenance or replacement of fishing vessels	Deduction for contributions to a capital construction fund for maintenance or replacement of fishing vessels.	Income	Deduction	\$520,000	\$520,000	36 MRS §5122.2.I
Policy group: Non-business incentives (various)							
16	Credit for Educational Opportunity	Tax credit for certain educational loan payments made by participants in the Job Creation Through Educational Opportunity Program and their employers; participants must be residents who remain in Maine after obtaining a degree here.	Income	Credit	\$41,500,000	\$47,900,000	36 MRS §5217-D
172	Employer credit for family and medical leave	Tax credit (for tax years beginning in 2018 and 2019) under the income tax and insurance premium tax equal to the federal credit for employer-paid family and medical leave. The credit is nonrefundable.	Income	Credit	\$40,000	\$0	36 MRS §5219-UU & 2536
19	Deduction for interest and Dividends on Maine State and Local Securities - Individual Income Tax	Individual income tax deduction for interest or dividends on securities issued by the State and its political subdivisions.	Income	Deduction	\$45,000	\$40,000	36 MRS §5122.2.N
20	Deduction for interest and Dividends on U.S., Maine State and Local Securities	Corporate income tax deduction for interest or dividends on securities issued by the State and its political subdivisions.	Income	Deduction	\$20,000 - \$100,000	\$20,000 - \$100,000	36 MRS §5200-A.2.A & §5200-A.2.K

3. Category A - Full Review by OPEGA
List of in progress and future evaluations
Approved by the Government Oversight Committee on March 12, 2021

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
18	Earned Income Credit	Tax credit equal a percentage of the federal earned income tax credit (EITC) received that year; EITC is a credit for individuals who have earned income under a certain limit. Note: The estimate is net of the transfer of TANF funds that partially offsets the General Fund loss. Without this transfer, the General Fund revenue loss would be approximately \$24.7 million in FY22 and FY23.	Income	Credit	\$16,630,000	\$16,630,000	36 MRS §5219-5
Policy Group: Tax relief - individuals							
37	Additional Standard Deduction for the Blind and Elderly	Additional \$1,550 standard deduction if single, or \$1,250 if married available to taxpayers who are blind beginning in tax year 2016.	Income	Deduction	\$10,400,000	\$10,900,000	36 MRS §5124-A
29	Income Tax Credit for Child & Dependent Care Expense	Tax credit for child and dependent care expenses in the amount of 25% of the federal tax credit; the credit doubles for expenses incurred for quality child care services. Max of \$500.	Income	Credit	\$4,150,000	\$4,150,000	36 MRS §5218
30	Deduction for Pension Income & IRA Distributions	Deduction for pension benefits received under employee retirement plans and taxable distributions from individual retirement accounts, up to \$10,000.	Income	Deduction	\$31,200,000	\$31,600,000	36 MRS §5122.2.M
31	Deduction for Social Security Benefits Taxable at Federal	Deduction for social security benefits and railroad retirement benefits.	Income	Deduction	\$110,200,000	\$119,600,000	36 MRS §5122.2.C
32	Property Tax Fairness Credit	Property tax credit for Maine residents based on a formula, not to exceed \$600 for those under 65 years of age, or \$900 for those over 65, with income limitations.	Property	Credit	\$35,350,000	\$35,350,000	36 MRS §5219-KK
27	Sales Tax Fairness Credit	Tax credit to provide sales tax relief to low and middle income families.	Income	Credit	\$23,800,000	\$23,500,000	36 MRS §5213-A & §5403.5
Policy Group: Tax Relief - Targeted Industry							
33	Railroad Track Materials	Tax exemption on sales of railroad track materials for installation on railroad lines within the State.	Sales & Use	Exemption	\$670,000	\$680,000	36 MRS §1760.52

3. Category A - Full Review by OPEGA
List of in progress and future evaluations
Approved by the Government Oversight Committee on March 12, 2021

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
34	Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	Refund of sales tax paid on purchases of parts and supplies for use for operation, repair or maintenance of a windjammer providing commercial cruises.	Sales & Use	Refund	\$50,000 - \$249,999	\$50,000 - \$249,999	36 MRS §2020
36	Certain Telecommunications Services	Tax exemption on sales of interstate and international telecommunications services.	Service Provider	Exemption	\$1,000,000 - \$2,999,999	\$1,000,000 - \$2,999,999	36 MRS §2557.33 & 2557.34
Policy Group: Specific Policy Goal/Mandate							
189	Credit for Affordable Housing (NEW)	Taxpayer receiving a tax credit certificate from MSHA for an affordable housing project located in Maine, may claim a refundable tax credit for that taxable year. Credit is equal to either (1) the total federal low-income housing tax credit claimed under IRC section 42 using entire federal credit period for all buildings in a qualified Maine project, or (2) an amount equal to the lesser of \$500,000 or 50% of the qualified basis of an affordable housing project that incurs at least \$100K includable in eligible basis in construction or rehabilitation of an affordable housing project for which IRC section 42 is not claimed.	Income	Credit	\$8,645,000	\$9,500,000	36 MRS §5219-WW
154	Partial Cigarette Stamp Tax Exemption for Licensed Distributors	Allows licensed cigarette distributors to purchase cigarette stamps with a face value of \$2 at a discount of 1.15%. (General Fund)	Other	Exemption	\$1,347,621	\$1,320,665	36 MRS §4366-A.2
155	Air & Water Pollution Control Facilities	Tax exemption on sales of certified air and water pollution control facilities and parts or accessories, construction materials, and chemicals or supplies of these facilities.	Sales & Use	Exemption	\$500,000 - \$1,999,998	\$500,000 - \$1,999,998	36 MRS §1760.29 & §1760.30
Policy Group: Administrative Burden							
165	Sales Through Coin Operated Vending Machines	Tax exemption on sales of certain products through vending machines by retailers who make the majority of their sales via vending machines.	Sales & Use	Exemption	\$1,000,000	\$1,000,000	36 MRS §1760.34

3. Category A - Full Review by OPEGA
List of in progress and future evaluations
Approved by the Government Oversight Committee on March 12, 2021

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
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Completed reviews

NOTE: After the full cycle of Category A (full reviews) is completed, the cycle starts again, using the following list of completed evaluations.

Expenditure Program Name	Report year
New Markets Capital Investment Credit	2017
Pine Tree Development Zones	2017
Major Business Headquarters Expansion	2017*
Employment Tax Increment Financing	2019
Reimbursement For Business Equipment Tax Exemption to Municipalities (BETE)	2020
Reimbursement for Taxes Paid on Certain Business Property (BETR)	2020
Maine Capital Investment Credit	2020
Pine Tree Development Zones	2020*

*Limited scope review