

Brief History of Maine's Tax Expenditure Review Process

Background reports

- December 2013: [Report of the Tax Expenditure Review Task Force](#)
 - The Task Force was created in budget bill and directed to:
 - examine and evaluate tax expenditures under Maine law,
 - review the procedures used to evaluate tax expenditures in other states and identify best practices in tax expenditure review,
 - develop a process for on-going evaluation of tax expenditures and
 - recommend the repeal or reduction of expenditures to achieve a savings of at least \$40,000,000 in FY14-15.
 - Recommendation 1 of the Task Force: That AFA continue to work with OPEGA, the GOC, and the Taxation Committee in the development of an ongoing process for evaluation of tax expenditures and report out legislation to implement this process to the 2nd Regular Session of the 126th Legislature (page iii).
 - Background context can be found under the headings “Framework of tax expenditure review” (pages 2-4) and “Related legislative initiatives currently underway” (pages 4-5).
- March, 2015: [Proposal for Legislative Review of Maine State Tax Expenditures](#) submitted by OPEGA to the GOC and Taxation Committee pursuant to Resolves 2013, chapter 115.
 - The 126th Maine State Legislature tasked OPEGA with developing a proposal for a process to provide ongoing legislative review of the State's tax expenditures (see Resolve at Appendix B).
 - The proposal defined and described elements to be considered in implementing an ongoing legislative tax review process. As required by the Resolve, it included sections on: classification of tax expenditures, evaluation parameters for full evaluation, identification of criteria for expedited review, data and data sources, stakeholder and public comment, schedule, assessment of resources, revisions to statute (pages 1-2).

Legislative history

[PL 2015, c. 344](#) – An Act to Improve Tax Expenditure Transparency and Accountability

Enacted a process within the OPEGA statute for the review of tax expenditures. This included:

- The GOC, in consultation with the Taxation Committee, to assign each tax expenditure to a review category: full evaluation, expedited review, or no review and establish a schedule of ongoing review of those assigned for full or expedited review.
- For full reviews:

- A process for full evaluations conducted by OPEGA, with the GOC approving the purpose, intent or goals of the expenditure, the intended beneficiaries, the evaluation objectives, and appropriate performance measures (with input from the Taxation Committee and others).
- The evaluation reports are to be considered by the GOC and the Taxation Committee, with the Taxation Committee submitting to the Legislature a report documenting its activities and recommendations.
- For expedited reviews:
 - A process for expedited reviews conducted by the Taxation Committee, including assessment of the tax policy and each expenditure.
 - In order to support the Taxation Committee's role in conducting expedited reviews, OPEGA is required to gather and submit specified information to the Taxation Committee.
 - The Taxation Committee then submits a report to the Legislature on the results of the expedited reviews it conducted.

[PL 2017, c. 266](#) – An Act to Implement Recommendations of the Government Oversight Committee to Improve the Efficiency and Effectiveness of Legislative Reviews of Tax Expenditures.

From enacted law summary: “The bill removes statutory deadlines to provide more flexibility in scheduling, completion and reporting on full evaluations to allow for a better fit with the legislative schedules and to ensure OPEGA can complete a comprehensive and quality review of each program, within OPEGA’s available capacity.”

[PL 2019, c. 161](#) – An Act to Amend the Tax Expenditure Review Process

Adjusts the dates by which the Taxation Committee is required to submit to the Legislature reports documenting its activities under this chapter, and adjusts the date by which OPEGA is required to provide information to support expedited reviews to the Taxation Committee.

Full tax expenditure reviews completed by OPEGA and associated follow-up

Expenditure Program Name	OPEGA report date	Government Oversight Committee actions	Taxation Committee actions
New Markets Capital Investment Credit	March, 2017	March, 2017: public comment, work session, and vote to endorse report and send to Taxation.	<ul style="list-style-type: none"> • After public comment and endorsement submitted to TAX 6/19/17 • Interim 2017 TAX reviewed the report • TAX report to Legislature December 2017 <p>TAX report recommendations were largely administrative, rather than statutory unless the Legislature provides for additional credit allocations. No statutory changes made.</p>
Pine Tree Development Zones	August, 2017	Sep, 2017: public comment, work session, and vote to endorse report and send to Taxation.	<ul style="list-style-type: none"> • After public comment and endorsement submitted to TAX 9/26/17 • TAX report to Legislature December 2017. <p>TAX report supported program administrative changes and recommended that if PTDZ program is to be extended, consideration should be given to statutory changes recommended in OPEGA report and that legislation be referred to LCRED Committee which has jurisdiction over PTDZ legislation.</p> <p>In 2018, LD 1654 extending PTDZ eligibility dates and addressing other issues was enacted as PL 2017, c. 440. Bill was referred to LCRED and all reporting to be provided to LCRED.</p>
Major Business Headquarters Expansion* (Newly enacted credit; enacting legislation requested GOC review)	Feb, 2018	Mar, 2018: OPEGA briefed Taxation and GOC on report.	<ul style="list-style-type: none"> • After public comment and endorsement, submitted to TAX 2/27/18.

of provisions relating to TER analysis.)			LD 1903 (TAX Committee bill) introduced in 2d Regular Session and enacted as PL 2017 c.405 to make improvements in MBH credit
Employment Tax Increment Financing	Jan. 2019	Feb, 2019: public comment, work session, and vote to endorse report. March, 2019: Sent to Taxation.	<ul style="list-style-type: none"> • After public comment and endorsement, submitted to TAX 3/18/19. • Interim 2019 TAX reviewed report • TAX report to Legislature December 2019 <p>TAX generally concluded that statutory changes to address the issues raised by the OPEGA report should be considered in the context of DECD's development of an economic development strategic plan. which was still in progress at the time of the committee's report. Ongoing oversight by TAX and IDEAB was recommended.</p>
Reimbursement For Business Equipment Tax Exemption to Municipalities (BETE) Reimbursement for Taxes Paid on Certain Business Property (BETR)	Feb, 2020	Feb, 2020: public comment, March, 2020: work session. Nov, 2020: vote to endorse report and send to Taxation.	After public comment endorsed by GOC 11/20/20 (delayed by COVID) Submitted to TAX for review 1/15/21 Not yet taken up by TAX.
Maine Capital Investment Credit	Feb, 2020	Feb, 2020: public comment. March, 2020: work session. Nov, 2020: vote to endorse report and send to Taxation.	After public comment endorsed by GOC 11/20/20 (delayed by COVID) Submitted to TAX for review 1/15/21 Not yet taken up by TAX.
Pine Tree Development Zones*	Nov, 2020	Feb, 2021: public comment, work session, vote to endorse report and send to Taxation.	Limited review at request of LCRED/IDEAB Committee as a result of 2017 report. Not discussed by TAX
Maine Seed Capital Tax Credit	August, 2021	Sep, 2021: public comment, work session [tbc]	

* Limited Scope review

Expedited tax expenditure reviews completed by Taxation Committee and associated follow-up

Tax Policy Area	Expenditures included in policy area	OPEGA document date	Taxation Committee actions
Necessity of Life Exemptions	13	July, 2016	TAX report December 2016 Recommendations made for subsequent new Legislature to consider issues raised
Tax Fairness Exemptions	15	July, 2017	TAX report December 2017 A couple of requests to MRS regarding MRS tax expenditure impact analysis. No recommendations for statutory changes.
Specific Policy Goal/Mandate Exemptions Charitable Exemptions (1 st Half)	15	July, 2018	Tax report December 2018 One statutory inconsistency resolved by subsequent legislation.
Charitable Exemptions (2 nd Half)	17	June, 2019	TAX report December 2019 No statutory changes recommended as the result of this review.
Interstate and Foreign Commerce Exemptions	13	January, 2021	TAX review begun but not completed
Inputs to Tangible Products Exemptions Conformity with Internal Revenue Code Non-Taxable Services	13	Anticipated Fall, 2021	

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