

**Full Evaluation of Tax Expenditures:
Deduction for Contributions to Capital Construction Funds for Maintenance or Replacement of Fishing Vessels**

**Evaluation Parameters Worksheet
Presented to the Government Oversight Committee on June 15, 2022**

Statutory Guidance

Pursuant to Maine Revised Statutes, Title 3, section 999, prior to the beginning of a full tax expenditure evaluation, the GOC is required to approve:

- (1) the purpose, intents or goals of the tax expenditure, as informed by original legislative intent as well as subsequent legislative and policy developments,
- (2) the intended beneficiaries of the tax expenditure,
- (3) the evaluations objectives, and
- (4) performance measures appropriate for analyzing the evaluation objectives.

Evaluation Parameters Subject to Committee Approval

The enabling statute and subsequent legislative developments include no clear statement of legislative intent for the Deduction for Contributions to Capital Construction Funds for Fishing Vessels. OPEGA conducted additional research to identify goals that might be appropriate to consider in evaluating this tax expenditure. We considered MRS forms and staff input as well as guidance and forms from the IRS and the National Oceanic and Atmospheric Administration (NOAA), who co-administer the related federal deduction. From that research, OPEGA identified possible goals for the GOC's consideration in the table that follows.

Regarding data available to support this evaluation, OPEGA notes that because this deduction is processed by MRS via the income tax filing process, detailed data related to the deduction is considered confidential taxpayer information. This means the data can only be reported publicly in a form that is aggregated to a level to adequately prevent the identification of individual taxpayers. This impacts the type of metrics OPEGA can report out on the deduction. Additionally, if the parameters set for this evaluation require OPEGA to access confidential taxpayer information, additional time and resources may be required to complete the evaluation.

Deduction for Contributions to Capital Construction Funds Fishing Vessels – Possible Evaluation Parameters	
Options Identified	GOC Discussion/Decision
<p>Potential Purposes Sources: Guidance documents and forms from the IRS and NOAA regarding the related federal deduction, also MRS forms and staff input</p>	
<p>(1) To support a well-maintained commercial fishing fleet in Maine (2) To conform to federal treatment of contributions to CCFs for commercial fishing vessels¹</p> <p><i>Note: If conformity is determined to be the primary, or only purpose, for this deduction, then an abbreviated evaluation might be warranted as some statutory evaluation objectives may not apply to conformity items. Items that may not apply have an asterisk below.</i></p>	
<p>Potential Beneficiaries Source: Derived from the purpose and design.</p>	
<p>(1) Directly: Maine residents operating commercial fishing vessels (2) Indirectly: Maine’s fishing industry</p>	
<p>Potential Evaluation Objectives Source: 3 MRSA §999(1)(A)(3) Each objective will be addressed to the degree possible based on its relevance, the level of resources required and the availability of necessary data.</p>	
<p>(a) The fiscal impact of the tax expenditure, including past and estimated future impacts; (b) The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; (c) The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits;* (d) The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries;</p>	

¹ Conformity can serve a number of purposes including making state income taxes easier for taxpayers to file and for administrators to collect.

<p>(e) The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states;*</p> <p>(f) The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective;</p> <p>(g) The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative;*</p> <p>(h) The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals;* and</p> <p>(i) Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.</p>	
<p>Potential Performance Measures Source: Consideration of evaluation objectives and possible purposes for the deduction.</p>	
<p>(1) \$ Amount of deductions claimed (in past and future estimates)</p> <p>(2) \$ Impact on State budget (revenue loss and net impact)</p> <p>(3) # Taxpayers taking the deduction (count and average)</p> <p>(4) % Participation rate*</p> <p>(5) % Maine commercial fishing fleet in well-maintained condition*</p>	