

Full Evaluation: Credit for Maine Shipbuilding Facility Investment Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS §5219-RR
Enactment: 2018 (claimable starting tax year 2020)
Sunset: 2034
GF Revenue Loss Estimate: \$3.1M FY24; \$3.1M FY25
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: 1 taxpayer

- This is a non-refundable income tax credit available for major investments in a shipbuilding facility when certain criteria are met.¹
- The credit is claimed over a period of 10 years, with the annual credit equal to 3% of the qualified investment.
 - An additional 5 years of credit is allowed for a subsequent investment of at least \$100M prior to January 1, 2025.
- Qualified investment must be at least \$100M for the construction, improvement, modernization or expansion of a Maine shipbuilding facility, and must have been made on or after January 1, 2018.
- Eligible businesses must meet certain requirements including:
 - at least 5,000 workers (credit reduced in years with fewer than 5,500 and accelerated in years with employment of at least 6,000);
 - access for qualified employees to retirement programs and group health insurance and a particular income level;
 - cannot also claim ETIF or PTDZ benefits; and
 - preference to Maine workers, companies and bidders when awarding contracts, purchasing supplies or subcontracting work.
- Credits are capped at \$3M per year² and \$30M in total (\$45M with the additional investment) per applicant.
- The credit must be reviewed by August 15, 2024 by OPEGA.

Proposed Evaluation Parameters

To guide each full tax expenditure evaluation, 3 MRS §999 requires that the Government Oversight Committee approve:

- (1) the purpose, intents or goals of the tax expenditure;
- (2) the intended beneficiaries of the tax expenditure;
- (3) the evaluation objectives; and
- (4) performance measures appropriate for analyzing the evaluation objectives.

The following table includes OPEGA's proposal, relative to these four statutory evaluation parameters, for the Government Oversight Committee's consideration.

¹ A different shipbuilding credit existed previously under 36 MRS Chapter 919.

² Annual credit limit can be increased if particular employment levels are reached under 36 MRS §5219-RR(5).

<p>Purposes, Intent or Goals (36 MRS §5219-RR(10))</p>
<p>1. To create and retain jobs in the shipbuilding industry in this State by providing an income tax credit to reduce the cost of investments in shipbuilding businesses and thereby encourage investment in shipbuilding businesses and improve the competitiveness of this State’s shipbuilding industry.</p>
<p>Intended Beneficiaries (derived from statutory purposes)</p>
<p><u>Directly</u>: eligible businesses making investments in shipbuilding facilities in Maine <u>Indirectly</u>: job seekers and Maine workers, companies and bidders receiving preference in award of contracts</p>
<p>Evaluation Objectives (3 MRS §999)</p>
<ol style="list-style-type: none"> 1. The fiscal impact of the tax expenditure, including past and estimated future impacts; 2. 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; 3. 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; 4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; 5. 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; 6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; 7. 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; 8. 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 9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.
<p>Performance Measures (36 MRS §5219-RR(10))</p>
<ol style="list-style-type: none"> 1. Employment during the period being reviewed, and comparison to the minimum employment requirements; 2. Amount of qualified investment during the period being reviewed, and comparison to the minimum expenditure requirements; 3. Measures of industry competitiveness; 4. Measures of fiscal impact and overall economic impact to the State; and 5. Information regarding the procedures for ensuring compliance with requirements to give preference to Maine workers, companies, and bidders when awarding contracts, purchasing supplies, and subcontracting work related to the qualified investment.