Proposed Parameters for Next Four Tax Expenditures Slated for OPEGA Review

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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 year[2] 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).

Purposes, Intent or Goals (36 MRS §5219-RR(10))
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.
Intended Beneficiaries (derived from statutory purposes)
Directly: eligible businesses making investments in shipbuilding facilities in Maine Indirectly: job seekers and Maine workers, companies and bidders receiving preference in award of contracts
Evaluation Objectives (3 MRS §999)
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.
Performance Measures (36 MRS §5219-RR(10))
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.

Full Evaluation: Credit for Major Business Headquarters Expansion
Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS 5219-QQ
Enactment: 2017
Sunset: Qualified investments must have been made by December 31, 2022
GF Revenue Loss Estimate: $760,000 FY24; $760,000 FY25
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: 1 taxpayer

- This is a refundable income tax credit available to major businesses that expand or locate their headquarters in Maine and hire the required number of new employees.

- The credit is claimed over a period of 20 years, with the annual available credit equal to 2% of the qualified investment.

- Qualifying investment must be at least $35M to design, permit, construct, modify, equip or expand the applicant's headquarters in the State, and must have been made before December 31, 2022.

- Eligible business must meet certain requirements including:
  - at least 5,000 employees worldwide and at least 25% are, or will be, based in the State;
  - headquarters are, or will be, in the State; and
  - business locations in at least 3 other states or foreign countries.

- Businesses must meet employment targets for each year the credit is claimed.

- The total credit for each certificate may not exceed $16M. Qualifying investment is capped at $40M per certificate and $100M for all certificates.

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.

Purposes, Intents or Goals (36 MRS §5219-QQ(5))
1. To create and retain high-quality jobs in the State by encouraging major businesses to locate their headquarters in the State or to expand their headquarters in the State.
Intended Beneficiaries (derived from statutory purposes)
Directly: major businesses locating or expanding their headquarters in Maine Indirectly: job seekers
Evaluation Objectives (3 MRS §999)
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.
Performance Measures (36 MRS §5219-QQ(5))
1. The number of additional full-time employees added during a period being reviewed and how employment during that period compares to the minimum employment requirements; 2. The amount of qualified investment during a period being reviewed, and how expenditures compare to the minimum level of expenditure required; 3. The change in the number of major business headquarters located in the State and the number of expansions of those headquarters during a period being reviewed; 4. Measures of fiscal impact and overall economic impact to the State; and 5. The number of new employees for whom health benefits and retirement benefits are available.

Full Evaluation: Credit for Major Food Processing & Manufacturing Facilities Expansion Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS §5219-VV
Enactment: 2019 (claimable starting tax year 2022)
Sunset: Qualified investments must be made by December 31, 2024
GF Revenue Loss Estimate: $1.5M FY24; $1.5M FY25
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: 1 taxpayer

- This is a refundable income tax credit for construction or expansion of a food processing and manufacturing facility in Maine.
- Credit is first claimable in the tax year beginning January 2022.
- The credit must be claimed over a period of 20 years, with the annual credit amount equal to 1.8% of the qualified investment.
- Qualifying investments must be at least $35M to design, permit, construct, modify, equip or expand the applicant's facility in the State, and must be made between April 1, 2019 and December 31, 2024.
- Eligible businesses must meet additional requirements including:
    - headquarters in Maine at the time of application, and for each of the prior 5 years;
    - at least 40 full-time employees based in Maine by the start-up of the facility in which the qualified investment was made; and
    - at least 75% of employees with income which exceeds the most recent annual per capita personal income in the county in which the facility is located.
- Businesses must meet employment and business income targets for each year the credit is claimed.
- The aggregate credit for each certificate may not exceed $30.6M. Qualifying investment is capped at $85M per certificate and $100M for all certificates.

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.

Purposes, Intents or Goals (36 MRS §5219-VV(7))
1. To create high-quality jobs in the State by encouraging major businesses to locate or expand their food processing and manufacturing facilities in this State and to encourage the recruitment and training of employees for these facilities; and 2. To directly and indirectly improve the overall economy of the State including the agricultural economy, small businesses, employment in rural areas and expansion of the tax base.
Intended Beneficiaries (derived from statutory purposes)
Directly: major businesses locating or expanding their food processing and manufacturing facilities in Maine Indirectly: job seekers; and citizens and taxpayers of Maine
Evaluation Objectives (3 MRS §999)
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.
Performance Measures (36 MRS §5219-VV(7))
1. The number, geographic distribution and income of full-time employees added or retained during a period being reviewed who would not have been added or retained in the absence of the credit; 2. The number and amount of qualified investments made by certified applicants during the review period; 3. The increase in value in agricultural products produced in the State; and 4. Direct and indirect economic benefits to the State attributable to qualified investments entitled to a credit under this section.

Full Evaluation: Credit for Paper Manufacturing Facility Investment
Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS §5219-YY
Enactment: 2021(claimable starting tax year 2024)
Sunset: Qualifying investments must have been made by December 31, 2023
GF Revenue Loss Estimate: $0 FY24; $0 FY25 (MRS notes credit claims are likely to begin in FY26)
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: Unknown at this time

- This is a refundable income tax credit for paper manufacturers that make expenditures of at least $15M to design, permit, build, rebuild, modify, replace, repair or acquire equipment to modernize or improve a paper manufacturing facility.
- The credit is claimed over a period of 10 years, with the annual available credit equal to 4% of the qualified investment.
- Investment dates must be between January 1, 2019 and December 31, 2023.
- Eligible businesses must meet certain requirements including:
    - location in a county with an unemployment rate at least 20% higher than the state average;
    - at least 400 employees, at least 75% of whom earn at least 115% of county per capita personal income. Employees must also be qualified employees who are offered certain retirement and health insurance benefits;
    - cannot also claim ETIF or PTDZ benefits; and
    - facilities are not located in a low-income community nor receiving a qualified low-income community investment.
- A credit is not allowed to any person for any tax year during which the headquarters of the certified applicant are not located in the State.
- Cumulative credits for all certified applicants may not exceed $1.6M per year and $16M in total.

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.

Purposes, Intent or Goals (36 MRS §5219-YY(6))
1. To provide incentives for the revitalization of paper manufacturing facilities in counties with high unemployment and to create or retain high-quality jobs in the State by encouraging paper manufacturers to modernize their paper manufacturing equipment to better compete in the marketplace.
Intended Beneficiaries (derived from statutory purposes)
<u>Directly</u>: businesses making investments in paper manufacturing facilities in counties with high unemployment <u>Indirectly:</u> job seekers
Evaluation Objectives (3 MRS §999)
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.
Performance Measures (36 MRS §5219-YY(6))
1. Number of qualified employees added or retained during the period being reviewed, and comparison to minimum employment requirements; 2. Amount of qualified investment during the period being reviewed, and comparison to the minimum investment requirements; 3. The increase in the vitality and competitiveness of the State’s paper industry in the marketplace; 4. The change in the number of paper manufacturers and machinery used for the production of paper products located in the State and the number of modernization projects undertaken at those paper manufacturing facilities during the period being reviewed; and 5. Measures of fiscal impact and overall economic impact to the State and to the regions in which certified applicants are located.