

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Require the Review of Proposed Tax Expenditures

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §199-A, sub-§1-A is enacted to read:

1-A. Legislative initiative. "Legislative initiative" means a matter requiring legislative action, including, but not limited to, an item included in a biennial or supplemental budget.

Sec. 2. 36 MRSA §199-E is enacted to read:

§ 199-E. Review of proposed tax expenditures

1. Committee evaluation. Whenever legislation or a legislative initiative proposes a new tax expenditure or proposes a change that prolongs or expands an existing tax expenditure, the committee shall, to the extent that the information is available, consider the following when evaluating whether the tax expenditure should be enacted, prolonged or expanded:

- A. The classes of individuals, types of organizations or types of industries whose state tax liabilities are directly affected by the tax expenditure as well as the number of taxpayers affected;
- B. Public policy objectives that provide a justification for the tax expenditure, including, but not limited to, the extent to which the tax expenditure attracts business, encourages local investment and spending or has a significant statewide impact on quality of life or social goals;
- C. Projections of the fiscal impact of the tax expenditure, including but not limited to any necessary explanation of state revenue loss and whether there is any proposal to offset a revenue loss;
- D. The impact the tax expenditure may have on consumer and business spending patterns as well as the general effect the tax expenditure may have on the overall state economy;
- E. Unintended benefits or negative consequences the tax expenditure may have on an individual, organization or industry other than that specifically targeted in the legislation or legislative initiative;
- F. Similar tax expenditures adopted in other states and potential competitive benefits of the tax expenditure;
- G. Standards for accountability or reporting requirements for the recipient of the tax expenditure and the extent to which the standards or reporting requirements are included in the legislation or legislative initiative;
- H. Methods for evaluating the tax expenditure, the cost of data collection and analysis for the evaluation of the tax expenditure and the extent to which a process for evaluation of the tax expenditure is included in the legislation or legislative initiative; and

I. The administrative ease of adjusting or recapturing the tax expenditure if the objectives are not fulfilled and whether a mechanism for adjusting or recapturing is included in the legislation or legislative initiative.

2. Repeal and review. Legislation or a legislative initiative that proposes a new tax expenditure or proposes a change that prolongs or expands an existing tax expenditure must include a repeal date and provide for a review process to be used in evaluating the tax expenditure.

3. Procedures for legislative committees. Whenever legislation or a legislative initiative proposes a new tax expenditure or a change that prolongs or expands an existing tax expenditure, the joint standing committee of the Legislature having jurisdiction over the proposal shall hold a public hearing and determine the level of support for the proposal among the members of that committee. If there is support for the proposal among a majority of the members of the committee of jurisdiction, the chairs of the committee of jurisdiction shall request the joint standing committee of the Legislature having jurisdiction over taxation matters to review and evaluate the legislation or legislative initiative pursuant to subsection 1 and shall provide the information necessary to evaluate the legislation or legislative initiative. The joint standing committee of the Legislature having jurisdiction over taxation matters shall review and evaluate the legislation or legislative initiative pursuant to subsection 1 and report to the committee of jurisdiction with an advisory opinion. A proposed new tax expenditure or a change that prolongs or expands an existing tax expenditure may not be enacted into law unless the review and evaluation pursuant to subsection 1 have been completed.

SUMMARY

This bill creates a review process to be performed by the joint standing committee of the Legislature having jurisdiction over taxation matters prior to the enactment of legislation or approval of a legislative initiative that would result in a new tax expenditure or a change that prolongs or expands an existing tax expenditure. The bill requires that committee to consider the groups and numbers of taxpayers affected, the public policy objectives that provide justification for the proposed tax expenditure, fiscal impact projections related to the proposed tax expenditure, effects the proposed tax expenditure may have on the economy, unintended benefits or negative consequences of the proposed tax expenditure, similar tax expenditures in other states, standards of accountability or reporting requirements related to the proposed tax expenditure, methods for evaluating the proposed tax expenditure and mechanisms for recapturing the proposed tax expenditure if objectives are not fulfilled. The bill requires proposals for a new tax expenditure or a change that prolongs or expands an existing tax expenditure to include a repeal date and a review process for the tax expenditure. The bill requires the joint standing committee of the Legislature having jurisdiction over a proposal for a new tax expenditure or a change that prolongs or expands an existing tax expenditure to seek an advisory opinion from the joint standing committee of the Legislature having jurisdiction over taxation matters prior to enacting legislation or recommending a legislative initiative that would result in a new tax expenditure or a change that prolongs or expands an existing tax expenditure.