



# 125th MAINE LEGISLATURE

## SECOND REGULAR SESSION-2012

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Legislative Document

No. 1730

S.P. 590

In Senate, January 4, 2012

### An Act To Require the Review of Proposed Tax Expenditures

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Submitted by the Joint Standing Committee on Taxation pursuant to the Maine Revised Statutes, Title 36, section 199-D.

Reference to the Committee on Taxation suggested and ordered printed.

*Joseph G. Carleton Jr.*

JOSEPH G. CARLETON, JR.  
Secretary of the Senate

Presented by Senator HASTINGS of Oxford.

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

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

3 **1-A. Legislative initiative.** "Legislative initiative" means a matter requiring  
4 legislative action, including, but not limited to, an item included in a biennial or  
5 supplemental budget.

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

7 **§199-E. Review of proposed tax expenditures**

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

13 A. The classes of individuals, types of organizations or types of industries whose  
14 state tax liabilities are directly affected by the tax expenditure as well as the number  
15 of taxpayers affected;

16 B. Public policy objectives that provide a justification for the tax expenditure,  
17 including, but not limited to, the extent to which the tax expenditure attracts business,  
18 encourages local investment and spending or has a significant statewide impact on  
19 quality of life or social goals;

20 C. Projections of the fiscal impact of the tax expenditure, including but not limited to  
21 any necessary explanation of state revenue loss and whether there is any proposal to  
22 offset a revenue loss;

23 D. The impact the tax expenditure may have on consumer and business spending  
24 patterns as well as the general effect the tax expenditure may have on the overall state  
25 economy;

26 E. Unintended benefits or negative consequences the tax expenditure may have on an  
27 individual, organization or industry other than that specifically targeted in the  
28 legislation or legislative initiative;

29 F. Similar tax expenditures adopted in other states and potential competitive benefits  
30 of the tax expenditure;

31 G. Standards for accountability or reporting requirements for the recipient of the tax  
32 expenditure and the extent to which the standards or reporting requirements are  
33 included in the legislation or legislative initiative;

34 H. Methods for evaluating the tax expenditure, the cost of data collection and  
35 analysis for the evaluation of the tax expenditure and the extent to which a process  
36 for evaluation of the tax expenditure is included in the legislation or legislative  
37 initiative; and

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

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

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

## 23 SUMMARY

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

