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April 11, 2023

Chair Nicole Grohoski
Chair Joseph C. Perry, Sr.
Members of the Joint Committee on Taxation

Via E-mail

Re: COST Opposes L.D. 1337 Requiring Tax Disclosure Statements

Dear Chair Grohoski, Chair Perry, and members of the Joint Committee on Taxation:

On behalf of the Council On State Taxation (COST), I am writing to oppose L.D. 1337. This legislation would place an unprecedented and onerous reporting requirement on corporations doing business in Maine. L.D. 1337 would violate taxpayers' privacy rights and longstanding practices of fair tax administration by requiring reporting and disclosure of confidential tax information and making that information publicly searchable.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members have operations in Maine and would be negatively affected by this legislation.

COST Supports Confidentiality of Taxpayer Information

The COST Board of Directors has adopted a formal policy statement in opposition to disclosure and publication of confidential taxpayer information¹. The policy position states:

Taxpayers have a justifiable expectation of privacy. State departments of revenue audit business taxpayers on a regular basis to ensure that all relevant tax laws are appropriately enforced; releasing specific business tax returns or information from those returns to the public would serve no policy purpose.

¹ See COST Policy Statement: <https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/costpolicy-positions/confidentialityoftaxpayerinformation.pdf>

**Disclosure of a Specific Taxpayer's Information
Serves No Public Policy Purpose**

COST has consistently warned against violating taxpayer confidentiality under the guise of transparency. Rather than inform the public policy debate, L.D. 1337 could, through its sole focus on the income tax, mislead both legislators and the public into thinking that businesses do not pay substantial taxes, when in fact business pay substantial taxes, especially in areas other than the corporate income tax. The corporate income tax is the most volatile state revenue stream because of business cycles and intended tax code features. If the Legislature is concerned that certain classes of taxpayers are inappropriately taxed, it can and should ask the executive branch for aggregate information for that class of taxpayers. Showing that a specific taxpayer did not pay corporate income tax for a given year – because of loss carryovers, current year profitability, tax credits, or some other reason – does not benefit the policy debate. In fact, it will likely harm the debate, as the reason for a taxpayer's Maine income tax liability will likely not be apparent or understood from the information disclosed. L.D. 1337 would make certain taxpayer information public record, would not raise additional revenue, and would merely serve to allow the harassment of individual corporations.

No other state requires detailed public disclosure of confidential taxpayer information. This bill will put Maine taxpayers at a competitive disadvantage to the extent they are subjected to disclosure rules not applicable to their out of state competitors. It should be noted that disclosures such as those required by L.D. 1337 may make trade secrets and other sensitive information available for use by taxpayers' competitors, including competitors not subject to the state's tax system.

For these reasons, COST respectfully urges this Committee to reject L.D. 1337.

Sincerely,



Leonore F. Heavey

CC: COST Board of Directors
Douglas Lindholm, COST President & Executive Director