TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Before the Joint Standing Committee on Innovation, Development, Economic
Advancement and Business
Hearing Date: *May 2, 2023*

LD *1797* – "*An Act to Expand Maine's Health Care Workforce by Expanding
Educational Opportunities and Providing Tax Credits*"

Senator Curry, Representative Roberts, and members of the Committee on
Innovation, Development, Economic Advancement and Business – good afternoon,
my name is Michael Allen, Associate Commissioner for Tax Policy in the
Department of Administrative and Financial Services. I am providing testimony at
the request of the Administration Against LD *1797*, "*An Act to Expand Maine's
Health Care Workforce by Expanding Educational Opportunities and Providing
Tax Credits.*"

This testimony is limited to the bill as it affects Maine Revenue Services
("MRS"). Beginning on January 1, 2024, the bill authorizes the State Board of
Nursing ("Board") to certify up to 1,000 eligible nurses annually to claim the *new
nurse retention* income tax credit. Eligible nurses must be licensed in Maine,
practice nursing in Maine in a healthcare facility licensed in Maine and must not
have practiced nursing in Maine or any other jurisdiction prior to January 1, 2023.
The nonrefundable credit, up to $500, may be claimed in the first tax year that the
certified nurse meets the conditions of eligibility for at least 6 months, and each of
the two subsequent tax years. The Board must decertify an individual who ceases
to meet the conditions of eligibility and is required to notify MRS whenever a
nurse is certified or decertified.

The Student Loan Repayment Tax Credit already provides a refundable tax credit of up to $2,500 to offset student loan repayment. This existing credit will generally be available to newly licensed nurses and provides a strong incentive for them to live and work in Maine. A new $500 nonrefundable credit may not provide much additional incentive for individuals to become nurses or to stay in Maine after graduation.

While staffing shortages are causing problems across Maine's economy, broadly available credits like the Student Loan Repayment Tax Credit provide a more efficient and effective incentive than credits targeting specific industries which fail to address the underlying economic issues.

In addition to the Student Loan Repayment Tax Credit, certified individuals who are licensed either as a registered nurse or a practical nurse could qualify in the same tax year for both the primary care access credit and the new nurse retention credit. The non-refundable primary care access credit is available for up to 5 years and ranges from $6,000 (Year 1) to $18,000 (Year 5).

The Administration notes that the bill summary indicates that the credit is limited to 1,000 nurses per year; however, certified individuals are eligible for a credit for 3 years, generally beginning with the year the certified individual meets 6 months of eligibility. Thus, the credit could be claimed by up to 3,000 nurses per year.

The estimated revenue impact of the bill is not currently available.

The estimated administrative costs are $11,000 for fiscal year 2024-25. One-time computer programming costs are required to add an additional line to the individual income tax return (Form 1040ME), to update check stub messages and notices, to make federal tape changes, and to perform systems testing.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.