



Testimony in Opposition to LD 1918, “An Act to Modernize Maine's Business Incentive Programs by Creating the Dirigo Business Incentives Program and Eliminating Certain Other Tax Incentive Programs”

Senator Curry, Representative Roberts, and the distinguished members of the Committee On Innovation, Development, Economic Advancement and Business, my name is Nick Murray and I serve as director of policy for Maine Policy Institute. We are a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify **in opposition to LD 1918**.

Economists have long criticized politicians’ penchant for creating narrow legal carve outs and targeted tax exemptions to lure large corporations to their jurisdictions. Both economic theory and empirical evidence indicate that these incentives are ineffective ways of spurring economic development. Despite this, the government continues to pick winners and losers when the elimination of various types of corporate welfare could result in substantial savings for all Maine taxpayers.

According to Good Jobs First’s Subsidy Tracker, Maine has doled out nearly \$930 million in corporate welfare giveaways across more than 13,600 awards since 1995.¹ The Tracker notes that 211 awards were given out in 2021 alone, including 100 awards to corporations in Pine Tree Development Zones. These are giveaways that the state gave to companies instead of Mainers in the form of much-needed tax reform, at a time of crippling inflation.

A 2018 study from the Mercatus Center at George Mason University used these figures to quantify the opportunity cost of corporate welfare for every state.² The table below shows the extent to which the elimination of corporate incentives in Maine would allow policymakers to lower corporate income taxes, personal income taxes, or sales taxes and still support general fund spending.

¹ https://subsidytracker.goodjobsfirst.org/?company_op=starts&state=ME

² <https://www.mercatus.org/publications/opportunity-cost-corporate-welfare>

Possible Tax Reductions by Eliminating Corporate Welfare	
<u>Tax</u>	<u>Possible reduction</u>
Corporate Income	-25.3%
Personal Income	-2.7%
Sales	-3.0%
Total tax burden	-1.3%

Source: Mercatus Center, *The Opportunity Cost of Corporate Welfare*

Slashing Maine’s corporate income tax by one-quarter for every business in Maine is far more likely to create jobs and promote economic growth than offering a small handful of corporations massive taxpayer-financed incentives with little oversight or accountability. If the goal of economic policy is to incentivize growth, why is the state taking funds from private sector actors merely to turn around and distribute those funds to large companies?

Gov. Mills has called this plan “a down payment,” but where is the so-called down payment for hard-working Mainers who are desperately urging the governor to lower taxes and allow them to keep more of what they earn?

If lawmakers want to attract jobs and economic growth, reform the tax and regulatory environment so that it is more attractive to start a business here. It’s that simple. Please **deem LD 1918 “Ought Not To Pass”** and reject this wasteful corporate welfare scheme. Thank you for your time and consideration.