

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

Before the Joint Standing Committee on Taxation
Hearing Date: *April 13, 2023*

LD #1075 – *“An Act to Promote Economic Growth Through Increased Film
Incentives”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1075, “An Act to Promote Economic Growth Through Increased Film Incentives.”

Under current law, a certified visual media production company may receive a nonrefundable income tax credit for a portion of its qualifying non-wage production costs and reimbursement of a portion of its qualifying wage costs. Visual media companies are certified by the Maine Film Office, in the Department of Economic and Community Development (“DECD”).

The bill before you today makes extensive changes to those tax credit and wage reimbursement programs by increasing the amount of benefits available to visual media production companies; converting the wage reimbursement portion of the benefits to a partially refundable tax credit; phasing out the wage reimbursement benefit for compensation paid to nonresident visual media production workers; and making the incentive benefits transferable. The bill also makes numerous incidental changes. This bill is similar to LD 1334, presented during the 130th Session.

The Administration does not support the proposed film credit incentive as currently written; However, along with our colleagues in DECD, MRS is ready to work with the Taxation Committee as it moves forward with crafting a film credit program the Administration will support.

The Administration notes that the withholding requirements and related compliance provisions should be revised, and various terms used in the bill should be more clearly defined. Additionally, numerous other technical issues must be addressed before the bill could be administered by MRS.

Further, OPEGA has released their tax expenditure report on Maine's visual media tax incentives. The issues and recommendations identified by OPEGA should be considered when making changes to these incentives.

The preliminary fiscal impact and administrative cost estimates cannot be determined for the bill as it is currently written.

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.