Testimony in Opposition to LD 2258, "An Act to Create an Income Tax Credit for Investments in a Team's Qualified Minor League Baseball Facility to Keep the Team in the State"

Senator Grohoski, Representative Perry, and distinguished members of the Committee on Taxation, thank you for the opportunity to testify on LD 2258. My name is Jacob Posik and I serve as the Director of Legislative Affairs at Maine Policy Institute, a nonpartisan, nonprofit organization that works to expand individual liberty and economic freedom in Maine. I am testifying on behalf of Maine Policy in **opposition to LD 2258**.

Economists have long criticized politicians' penchant for creating narrow legal carve-outs and target tax exemptions to lure large corporations. Both economic theory and empirical evidence indicate that these incentives are ineffective ways of spurring economic development. Despite this evidence, state governments like Maine continue to arbitrarily pick winners and losers through tax policy when the wholesale elimination of corporate welfare would result in substantial savings for all Maine taxpayers, along with far greater economic growth.

Thanks to a crucial 2015 rule change adopted by the Government Accounting Standards Board (GASB) – which requires GASB-compliant state and local governments to report on revenues lost due to corporate tax breaks – and a new database by Good Jobs First, we now have a glimpse into the financial effects of cronyist corporate welfare policies in Maine.

According to Good Jobs First, in 2022, companies in Maine received at least $27,325,842 in various state and local tax breaks and other giveaways.[1] The actual figure is likely higher, since this estimate is based on a limited review of state laws and only includes data from the largest municipalities. Since 1995, Maine has doled out nearly $1 billion in corporate welfare.[2]

A recent study from the Mercatus Center at George Mason University uses this estimate to quantify the opportunity costs of corporate welfare for every state. The table below shows the extent to which the elimination of corporate tax incentives in Maine would allow policymakers to lower corporate income taxes, personal income taxes, or sales taxes and still support general fund spending.

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[1] https://taxbreaktracker.goodjobsfirst.org/?detail=state_summary&state=ME&fiscal_year=2022
[2] https://subsidytracker.goodjobsfirst.org/?company_op=starts&state=ME

Possible Tax Reductions by Eliminating Corporate Welfare	
Tax	Possible Reduction
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.

Regardless of whether the state gives this narrow handout to the Portland Sea Dogs, it's highly unlikely the team is going anywhere. The team saw the 18th-highest average rate of attendance in the country last year among all minor league baseball teams[3] and the team's parent company, Diamond Baseball Holdings, owns 28 other minor league teams.[4] There is little doubt that the company can afford to make these changes on its own to retain its MLB affiliation. Their burden shouldn't fall on all Maine taxpayers.

For these reasons, we urge the committee to vote **"Ought Not to Pass" on LD 2258**. Thank you for your consideration.

[3] https://ballparkdigest.com/2023/10/16/2023-milb-attendance-by-average/
[4] https://diamondbaseballholdings.com/#portfolio