

**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: *May 8, 2025*

LD 1652 – “*An Act to Create a Tax Credit for Providers of Dental Care for
MaineCare Recipients*”

Senator Grohoski, Representative Cloutier, 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 Against LD 1652, “*An Act to Create a Tax Credit for Providers of Dental Care for MaineCare Recipients.*”

This testimony is limited to the bill as it affects taxation and Maine Revenue Services. For tax years beginning on or after January 1, 2025, the bill proposes a nonrefundable income tax credit for eligible dental professionals. The credit is equal to the dental professional’s licensing fees and malpractice insurance costs, up to \$5,000. An eligible dental professional must be licensed under Title 32, chapter 143, be an enrolled MaineCare provider, maintain a current and active list of patients for whom reimbursement is received through the MaineCare program, and be certified by the Department of Health and Human Services (DHHS). Unused credits may not be carried back or forward to other tax years.

Currently, eligible dentists certified by the Maine DHHS Oral Health Program on or after January 1, 2018, but before January 1, 2023, may be eligible for the dental care access credit under 36 M.R.S §5219-DD. An eligible dentist must agree to practice full-time for at least five years in an underserved area of the State as defined by federal guidelines. The credit may be first claimed in the tax

year in which the eligible dentist meets the conditions of eligibility for at least six months and each of the four subsequent tax years, subject to continued eligibility. The maximum credit amounts are: \$6,000 for the first year, \$9,000 for the second year, \$12,000 for the third year, \$15,000 for the fourth year, and \$18,000 for the fifth year. The credit is nonrefundable and cannot be carried to other tax years. The credit is repealed on December 31, 2027.

The lack of a capped certification process distinguishes this credit from similar credits for attorneys, dentists, and doctors.

Providing this benefit through the tax code creates additional steps and delays for recipients. If current reimbursement rates are too low, alternative approaches, for instance a grant program or legislation targeting the underlying issues may be simpler and more effective and should be considered. In addition, there are many professions with a shortage of workers, and it is not feasible for the State to offer tailored tax credits for every sector of the Maine economy.

The Administration notes the following technical concerns:

- The existing dental care access credit under Title 36, Section 5219-DD allows dentists to be certified through 2022 and claim the credit for up to five years. The bill should clarify whether an “eligible dental professional” could qualify for both the proposed credit and the current dental care access credit.
- It is recommended that the credit be limited to the licensing fees and malpractice insurance costs paid or incurred during the taxable year.
- The bill requires DHHS to notify MRS whenever a dental professional ceases to meet the conditions of eligibility. It is recommended that

DHHS also be required to annually notify MRS of dental professionals that meet the conditions of eligibility.

- The bill contains terms that should be defined, including “enrolled MaineCare provider,” “licensing fees,” “current and active list of patients,” and “malpractice insurance costs.”
- The report date of February 1, 2026, is not feasible given that most income tax returns for tax year 2025 will be filed after this date.

The estimated preliminary fiscal impact is less than \$1 million per year.

The estimated preliminary administrative costs are under review. One-time computer programming and related systems testing costs are required to add an additional line to the individual income tax return to accommodate the credit.

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.