

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *May 16, 2025*

LD 1853 – “*An Act to Establish an Educational Tax Credit Program to Help
Parents Pay for Nonpublic School Tuition and Fees*”

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 1853, “*An Act to Establish an Educational Tax Credit Program to Help Parents Pay for Nonpublic School Tuition and Fees.*”

This testimony is limited to Section 3 of the bill. For tax years beginning on or after January 1, 2026, the bill provides a refundable educational tax credit for individual income tax taxpayers. The credit may be claimed by a parent or guardian of an eligible student enrolled in a nonpublic elementary or secondary school after August 1, 2026. The credit is designed to implement the Educational Tax Credit Program administered by the Maine Department of Education, and the amount is capped at 70% of the average per-pupil cost of publicly funded education, as calculated annually by the Maine Department of Education. The proposed credit is similar to a private school voucher program but implemented in the income tax code with the increased complexity and delay that entails.

Any student who is enrolled in a nonpublic school at any point during the 2025-2026 school year is not eligible to participate in the program until the 2027-2028 school year. A taxpayer claiming the credit must provide receipts, proof of

payment, and proof of eligibility to qualify for the credit. The State Tax Assessor may adopt routine technical rules as defined in Title 5, chapter 375, subchapter 2-A to implement the tax credit.

Currently, there are no Maine income tax credits for nonpublic school tuition and fees for primary and secondary schooling and the Administration recommends against creating the proposed costly refundable tax credit at this time.

The Administration notes the following technical concerns:

- The amount of the credit is not defined, nor does the bill limit the credit to tuition and fees paid by the taxpayer during the taxable year.
- The bill should clarify whether the credit limitation of 70% of the average per pupil cost applies to each student for whom tuition and fees expenses are paid or to each tax return.
- The bill should specify whether the credit is limited to students who are claimed as a dependent of the taxpayer.
- The bill currently limits an “eligible student” to a resident of the State. The bill should be amended to likewise clarify whether the credit is limited to taxpayers who are residents of the State.

Once fully phased in and depending on how the technical issues are resolved, LD 1853 would likely reduce revenue by more than \$150 million per year; the costs could be considerably higher to the extent that this bill increases private school enrollment.

The preliminary estimated administrative costs are under consideration. One-time computer programming and related system testing costs would be required to add an additional line to the individual income tax return to

accommodate the credit. Additionally, a worksheet will need to be developed to calculate the allowable 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.