January 14, 2026

Committee on Taxation
State House, Room 127
c/o Legislative Information Office
100 State House Station
Augusta, Maine 04333

Re: Opposition to LD 1939/HP 1298

Hello Chair Grohoski, Chair Sayre and members of the Taxation Committee.

My name is Alan Pasetsky, and I am an independent tax consultant and advisor to the Global Business Alliance. I also worked internally for a multinational corporation and have over 30 years of experience dealing with the complexities of the very topic raised by LD 1939/HP 1298.

I cannot emphasize enough to this committee the myriad of issues that mandatory worldwide combined reporting would create for Maine.

This bill would create a new mandatory worldwide tax system that EVERY SINGLE state in the country has rejected, and for good reasons, which I will explain.

Although many tax practitioners thought this approach died over 30 years ago, a few states have raised it recently, believing it is a solution for budget shortfalls. These states reviewed this as a possible option, including Maine, and CONCLUDED it is overly complex, costly and difficult to enforce.

Mandatory worldwide reporting to include foreign affiliates and their foreign income from around the globe is not a new concept. It means any foreign affiliates in the world MIGHT be included in the Maine group. Let's briefly discuss the incredible complexity this would entail.

The worldwide approach is the equivalent of having to contact and potentially include every relative you have around the world, including your second cousins twice removed, in your own Maine personal income tax return. I doubt you are in touch with all these relatives; they likely speak a different language, and they would have no idea how to answer your questions about Maine tax law.

The same concept would apply with a worldwide corporate system, with a business in Bangor required to reach out to all global affiliates for information to see if each foreign affiliate should be included in a Maine tax filing and then what income and losses should be included.

The complexity is then enhanced as the profit and loss data to determine Maine taxable income or loss will **not** be calculated using U.S. currency, accounting or tax principles and would need to be converted somehow.

It should be obvious that a complete overhaul of a tax system that is not used by other states and involves foreign companies, foreign income, foreign currency, and foreign countries will be complicated. Such a system will not only be burdensome for businesses but will be extremely challenging for the state, requiring additional audit staff, not to mention the eventual onslaught of litigation.

In addition to all this complexity, one of the most critical issues you should consider is the unpredictable impact this may have on your revenue.

No one knows what the income or loss of international companies around the world will be or the impact on Maine's revenues.

In fact, mandatory worldwide reporting could result in a revenue loss for Maine. One reason is that not all companies overseas are profitable, so including these loss companies **reduces** the total combined group income and thus the Maine tax. Additionally, some states, like Maine, already tax some foreign income, such as GILTI income and moving to a worldwide system could result in losing the tax revenue from that income.

A worldwide system could also result in double taxation on the foreign affiliates included in a Maine tax return, once in their home country and once in Maine. These foreign companies may have no connection to the United States or Maine and aren't even subject to federal tax, yet they could be subject to Maine tax.

When the first states started to adopt these proposals back in the 1980s, because of the potential for double tax, it resulted in significant disputes with our U.S. allied treaty partners, including retaliatory legislation in foreign countries. There is no reason this would not happen again with foreign nations targeting Maine businesses.

As mentioned earlier, other states, including your neighbors in New Hampshire and Vermont, have recently conducted thorough analyses of mandatory worldwide combined reporting, all concluding not to proceed. The revenue uncertainty is always cited as a prime consideration, and Vermont even specifically quantified an estimated LOSS of $1 million of revenue annually, mostly attributable to the loss of its current revenue from taxing GILTI. Maine, like Vermont, taxes GILTI, and it could also face the same revenue loss.

Those other states, as well as Maine's own Revenue Services in 2023, also highlighted the incredible complexity. The Maine report stated that "the increased complexity would create burdens on taxpayers, Maine Revenue Services and other agencies and branches of state government, resulting in increased administrative costs and a less effective enforcement of State tax laws."

In conclusion, I urge you to vote NO on LD 1939/HP 1298. There is no reason to be the lone outlier among all states to enact mandatory worldwide combined reporting. Other states have rejected this legislation due to its significant complexity, unknown revenue results, double taxation, chilling impact on investment and potential international disputes.

Thank you for the opportunity to speak today, and I am happy to take any questions.