Good Morning, Senator Grohoski, Rep. Sayer and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara. I am Vice President of Advocacy for the Maine State Chamber of Commerce and a resident of Winthrop. I am here to testify in opposition to L.D. 1939.

The bill as drafted, would require large corporations (that reports more than $1 billion in gross revenues) to file a combined return that includes all worldwide income. In short, this bill would tax income that is already subject to federal tax and not economically connected to Maine, while imposing major new compliance costs on both the State and taxpayers

Historically, Maine's approach to the taxation of corporate income has been intentional, that is, to tax income that is specifically economically tied to Maine through sales factor apportionment. This approach is simple and administratively efficient for both Maine Revenue Services (MRS) and the taxpayer and protects Maine's tax base without risking double taxation of income by overreaching and erroneously including out of state income and impacting State revenues. LD 1939, however, represents a significant departure from that approach.

Proponents of L.D. 1939 will tell you the bill closes a loophole that allows corporations to escape taxation on offshore generated income. But this is not true.

The ability to escape taxation on offshore income was eliminated in 2017 by the Global Intangible Low-Taxed Income (GILTI) provision in the Tax Cuts & Jobs Act (TCJA). This provision was specifically created to capture any non-taxed and low-taxed offshore income. And these provisions were retained by recent Federal tax legislation, with GILTI being replaced by Net CFC Tested Income (NCTI) effective in 2026.

Prior to the enactment of the TCJA, it was true that some corporations could defer U.S. taxes on offshore income by leveraging low tax jurisdictions. But, GILTI and its successor eliminated this concern by requiring such income to be reported as U.S. taxable income.

Historically, the consideration of adopting worldwide combined reporting is not new to the Committee. In fact, Resolve 2021, c. 170, directed Maine Revenue Services to develop a report to this Committee on implementing elective Worldwide Combined Reporting of Certain Corporations for income tax purposes. This report concluded that "Due to the complexities of preparing and reviewing worldwide combined reporting returns, the switch would increase compliance burdens on taxpayers and the administrative burdens on the State."

These compliance burdens will introduce significant complexities for the state and the taxpayers, creating further uncertainty as to how the law would be applied. These complexities range from issues related to applying currency exchange rates to income and expenses and introducing far greater variables to determining the numerator and denominator to be used to achieve world-wide apportionment. And there will likely be many uncertainties that regulations will be required to address to fix a problem that no longer exists.

Because this problem has already been corrected by Federal and because of the substantial administrative burden this will impose on taxpayers and the state, we urge this Committee to vote ought not to pass on L.D. 1939.