Testimony in Opposition to LD 1939:
"An Act to Close Maine's Tax Loophole for Offshore Profit Shifting"

Senator Grohoski, Representative Sayre, and the distinguished members of the Committee on Taxation, my name is Harris Van Pate and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free-market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine.

Thank you for the opportunity to submit testimony in opposition to LD 1939, "An Act to Close Maine's Tax Loophole for Offshore Profit Shifting," which would impose mandatory worldwide combined reporting requirements on certain multinational corporations operating in our state. This proposal is a misguided attempt to increase corporate tax collections through a novel and unproven method of taxation that would make Maine an outlier among states and weaken our business climate.

Maine Should Not Lead the Nation in Anti-Competitive Tax Policy

While proponents claim LD 1939 will "level the playing field" and eliminate so-called "loopholes," the reality is that no other state currently mandates worldwide combined reporting for corporate income taxes as proposed in this bill. By adopting such an aggressive regime, Maine would become the most unfriendly tax jurisdiction in the country for multinational employers. This is not the kind of "leadership" our economy needs.

Rather than promoting economic competitiveness, this bill sends a chilling signal to businesses that Maine is willing to tax profits earned entirely outside its borders, subjecting foreign earnings to our state's tax code even when that income has already been taxed elsewhere.

Worldwide Combined Reporting Is Complex, Unproven, and Subject to Legal Challenge

This bill would subject multinational companies to extremely complex reporting and compliance requirements that exceed what is practiced in nearly every other state. Determining unitary business relationships, translating foreign financial statements, and accurately allocating profits across international borders would require significant administrative costs — not only for businesses, but for the state tax assessor as well.

Moreover, elements of the bill may invite constitutional challenges under the Commerce Clause and due process provisions, as it seeks to tax extraterritorial income beyond

Maine's fair apportionment authority. This legal uncertainty further undermines the proposal's viability.

Even supporters of worldwide combined reporting question the benefits it would have in Maine in particular. In the report "A Revenue Analysis of Worldwide Combined Reporting in the States" by the left leaning Institute on Taxation and Economic Policy, they denote the benefits such a tax might have in some states. However, they also comment that several New England states would actually see reduced revenue from switching to such a formula. Additionally, they add that Maine's current corporate tax system, known as the "Augusta formula," would "create ambiguity as to whether switching to mandatory WWCR would raise or lower tax revenue collections."[1]

In short, not only is this policy concerningly anti-business, there is no actual evidence that it would increase state revenues.

The Economic Impact Would Fall on Maine Workers and Consumers

Supporters may claim this tax targets only large, "foreign" corporations, but the burden of corporate taxes always flows downstream. According to a 2023 updated report by the National Bureau of Economic Research, 52% of corporate tax burden is passed onto consumers, another 28% onto workers, and only 20% to corporate shareholders.[2] Whether in the form of reduced wages, higher prices, or fewer job opportunities, the true cost of this policy will be borne by Maine workers, small businesses in supply chains, and everyday consumers.

Rather than encouraging investment and expansion, LD 1939 would increase tax volatility and make it more difficult to attract and retain employers who provide good-paying jobs in our state. Maine should be seeking ways to streamline tax compliance and reduce barriers to doing business — not erect new and punitive barriers.

There Are Better Ways to Promote Tax Fairness

Instead of enacting an untested international tax regime at the state level, lawmakers should focus on proven reforms that promote fairness and simplicity, such as eliminating carveouts, reducing corporate income tax rates to attract investment, and enhancing transparency in state spending. These steps would strengthen, rather than destabilize, Maine's economic foundation.

[1] https://itep.org/worldwide-combined-reporting-state-corporate-taxes/
[2] https://www.nber.org/system/files/working_papers/w27058/w27058.pdf

Conclusion

For these reasons, we respectfully urge the Committee to reject LD 1939. Maine must remain focused on fostering a climate of opportunity, innovation, and growth. This proposal would move us in the opposite direction. Thank you for your time and consideration.