January 26, 2026

Committee on Taxation

State House, Room 127

100 State House Station

Augusta, Maine 04333

Testimony of Michael Mazerov in Support of LD 1939

Senator Grohoski, Representative Sayre, and members of the Committee on Taxation, I appreciate the opportunity to submit written testimony in support of LD 1939, "An Act to Close Maine's Tax Loophole for Offshore Profit Shifting." My name is Michael Mazerov. I retired as a Senior Fellow of the State Fiscal Policy Division of the Center on Budget and Policy Priorities at the end of June 2024, although I continue to provide limited consulting services to the Center. However, I am submitting this testimony today in my personal capacity as an interested citizen, have not submitted it for review to the Center, and am not being compensated for providing it.

While employed by the Center, I wrote a lengthy 2024 report making the affirmative case for worldwide combined reporting, and last year I coauthored a major report providing state-by-state estimates of the potential revenue to be gained by the mandating of this policy, which was published by the Institute on Taxation and Economic Policy. Both papers were cited in Representative Matlack's testimony for the January 14th hearing, and I would respectfully direct committee members' attention to the first few pages of each of them for a concise summary of both the need for worldwide combined reporting and the revenues at issue.

Instead of repeating the arguments of those papers, my brief testimony today will be limited to pointing out and explaining the significance of a major omission in the January 14th testimony of both Daniel D'Allessandro of the Maine Department of Administrative and Financial Services and Alan Pasetsky, an advisor to the Global Business Alliance – a trade association representing U.S. corporations that are subsidiaries of foreign parent corporations.

Mr. D'Allesandro's testimony stated that Maine's "taxation of GILTI is a more efficient and administrable process [than worldwide combined reporting] that currently addresses the issues this bill seeks to resolve." Mr. Pasetsky stated that "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." GILTI, which stands for Global Intangible Low-Taxed Income," was a provision of the 2017 Republican tax bill aimed at bringing back into the U.S. tax base a portion of profits inappropriately shifted abroad. GILTI was enacted in recognition of the fact that the longstanding approach to preventing abusive international profit shifting by multinational corporations – adjusting intra-company transfer prices to supposedly "arm's length" levels as mandated by Section 482 of the Internal Revenue Code – had largely failed. Last summer's federal tax bill made some changes in GILTI and renamed it Net Controlled Foreign Corporation Tested Income, or NCTI. Maine's corporate income tax brings GILTI/NCTI into its pre-apportionment corporate tax base via its conformity to the Internal Revenue Code definition of "taxable income."

While noting correctly that conformity to GILTI is an alternative mechanism to worldwide combined reporting for bringing back into the U.S. and Maine tax base what corporations claim is foreign income, both testimonies omit the critical fact that GILTI does nothing to mitigate profit shifting by U.S. corporations taxable in Maine that have foreign parents – the very entities on whose behalf Mr. Pasetsky submitted his testimony. Accordingly, GILTI conformity is not an adequate substitute for worldwide combined reporting, which would apply equally to both U.S.- and foreign-parent multinationals. Foreign-parent corporations are as capable of engaging in profit shifting to tax haven nations as U.S. parent corporations are, and numerous studies show that they do. Thus, conforming to GILTI as an alternative to mandatory worldwide combined reporting forgoes two of the major benefits of the latter – recouping revenue rightly due the state and ensuring that the playing field upon which U.S. small businesses without foreign operations, U.S.-parent multinationals, and foreign-parent multinationals compete is a level one rather than one tilted by undeserved tax advantages.

This is not a trivial issue for Maine. A Maine fact sheet of the Global Business Alliance that Mr. Pasetsky was representing asserts that 400 Maine businesses employing 37,300 workers – including 9000 in manufacturing – are owned by foreign corporations. A Google search reveals the following major foreign-parent corporations doing business in Maine:

- **"Hannaford Supermarkets:** Headquartered in Scarborough, Hannaford is one of Maine's top three employers with approximately **8,500 employees**. It is a subsidiary of **Ahold Delhaize**, a retail group based in the **Netherlands**.
- **TD Bank:** Maintaining a major presence in Portland and statewide, TD Bank employs between **2,001 and 2,500 workers**in Maine. It is the U.S. subsidiary of **Toronto-Dominion Bank**, headquartered in **Canada**.

- **J.D. Irving, Limited:** A large employer in Northern Maine, particularly in the forestry and agriculture sectors, it operates through various subsidiaries such as **Irving Woodlands** and **Irving Oil**. The parent company is based in **Canada**.
- **IMI plc:** This global engineering company has major operations in Maine, including a facility in Kingfield, and is ranked among the state's largest private employers. Its global headquarters are in the **United Kingdom**.
- **S.D. Warren (Sappi North America):** Operating a major paper mill in Westbrook, this company is a subsidiary of **Sappi Limited**, which is headquartered in **South Africa**.
- **Morrison Healthcare (Compass Group):** Providing food and nutrition services to nearly 1,000 hospital systems, Morrison Healthcare is a subsidiary of **Compass Group**, a multinational food service company based in the **United Kingdom**."

It is vital that these companies pay their fair share of income taxes to Maine, which supplies them with a skilled labor force and essential infrastructure, and do not have tax advantages in competing with other Maine companies. Maine's conformity with GILTI cannot ensure this; only worldwide combined reporting can.

Thank you again for the opportunity to submit this testimony for your consideration.

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