

Testimony of Nate Cloutier

Before the Joint Standing Committee on Labor and Housing
April 13, 2023

In Opposition to LD 1337, “An Act to Require a Corporation That Files a Tax Return in the State to File a Tax Disclosure Statement”

Senator Grohoski, Representative Perry, and distinguished members of the Taxation Committee: My name is Nate Cloutier, and I am here today on behalf of HospitalityMaine representing more than 1,200 restaurant and lodging operators of all sizes across the state. HospitalityMaine opposes LD 1337, “*An Act to Require a Corporation That Files a Tax Return in the State to File a Tax Disclosure Statement.*”

LD 1337 proposes to require a corporation that files a Maine tax return to file a disclosure statement with the Department of Administrative and Financial Affairs (DAFS). This is yet another piece of legislation that would position us as a national outlier and would only further fracture our standing as a state that welcomes new business. Please consider the following regarding company-specific disclosure requirements:

- This is an egregious violation of corporate privacy. Confidentiality is essential for a multitude of reasons, including future business and investment strategy and protecting proprietary information. This also sets Maine back as we compete against other states who will have open access to our books.
- The bill fails to recognize that it unfairly targets Maine’s predominant business structure, a pass-through entity. This would out the income and other private information of our neighbors simply for being a small business owner.
- Tax disclosures are inherently counterproductive to informed debate around state corporate tax policy because the average Mainer—me included— is certainly not a tax expert. Unless your name is Mike Allen or Julie Jones, you likely rely on an expert for interpretation and guidance. Proponents of this bill will likely argue there is a need for increased transparency. Has Maine Revenue Services (MRS) or DAFS claimed there is rampant corporate fraud from lax corporate policy? Moreover, will these same groups disclose the donors that pay for them to be here? Likely not, because they appreciate the current privacy protections the law provides them.

If the Committee is unhappy with existing corporate tax policy, it is the prerogative of the Legislature to change it accordingly. Supporters look to achieve public dissection of all businesses with the hopes of finding some commonalities in tax filings where businesses catch breaks, and then will advocate for changes that remove those in the future. That is about as anti-business as it gets.

There are already safeguards in place to protect against abuse. MRS has a rigorous auditing system in place. The Government Oversight Committee initiated by the Honorable David Trahan serves a great check on current tax policies. For example, Bath Iron Works (BIW) and the Finance Authority of Maine (FAME) both have regular reviews in front of the Committee charged with protecting Maine’s tax dollars.

We’ve just recently achieved the badge of honor of having the third highest tax burden in the country at a whopping 11.14%. At the end of the day the Committee must ask itself with each bill it hears, *does this legislation serve to make Maine a better place to live and work?* We strongly believe the answer to that question is a resounding no. It signals to potential new business investors that they should look elsewhere and motivates our existing businesses to do the same.

My understanding is that there are less than five states with a similar disclosure requirement. I do not think this is the leadership Isaac Reed had in mind when he coined our state seal, “Dirigo.” We urge you to please vote ought not to pass on LD 1337. I would be happy to answer any questions.