

Testimony in Support of LD 1337, An Act to Require a Corporation That Files a Tax Return in the State to File a Tax Disclosure Statement

April 13, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at Maine Center for Economic Policy. I am here today to testify in strong support of LD 1337. LD 1337 would require corporations to file an annual statement publicly disclosing the amount they pay in state income taxes and the amount they receive in state subsidies.

Corporations are already required by law to include profit and loss information in their annual Securities and Exchange Commission filings to be transparent to investors, but they aren't required to report the same information at the state level. This means shareholders can gauge the financial health of a company before they invest in it, but the same opportunity is not afforded to Maine taxpayers who subsidize businesses with their tax dollars. Corporations already publicly report a lot of information about the business they do across the country. This bill simply asks them to also report similar information for Maine.

Corporate tax transparency bills have been introduced in several other states, and researchⁱ showing some of the biggest US corporations pay \$0 in taxes has led to increased calls for greater corporate tax transparency.ⁱⁱ This bill does not require any confidential information from a federal tax return to be submitted as part of this disclosure. The bill also provides for supplemental information to be submitted if desired by filers to help inform the other information on their disclosure, so corporations have ample opportunity to show how different credits and carryovers impact their tax liability and clarify the information they provide.

To be successful, corporations need things Mainers pay for — our infrastructure, including roads and ports, and our educated workforce. Mainers deserve to know if our tax structure is functioning the way the legislature intends, and what corporations are paying for services that make Maine a good place to do business. Corporations should be contributing toward paying for these things just like the rest of us do. Our small businesses that support local jobs and vibrant downtowns should have a level playing field with corporations. Corporations that profit from the hard work of Mainers should be required to contribute to our shared prosperity. This bill would allow us to see whether that is happening.

Maine gives away over a billion dollars in tax breaks to businesses every year. Some of these tax breaks are refundable, meaning the state not only lowers businesses' taxes but may also cut them a check. There's no way of knowing how much Maine gives away to wealthy, out-of-state corporations that don't pay taxes here, because that data isn't collected. By requiring

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corporations to file an annual disclosure, legislators will be able to access this information to see if business subsidies are functioning in the way they intend.

Mainers deserve corporate tax transparency, and MECEP urges the legislature to require corporate income tax disclosure. Thank you for your time. I would be happy to answer any questions.

ⁱ Institute on Taxation and Economic Policy, "55 Corporations Paid \$0 in Federal Taxes on 2020 Profits." 2 April 2021 <https://itep.org/55-profitable-corporations-zero-corporate-tax/> and Economic Policy Institute, "Reclaiming Corporate Tax Revenues." 14 April 2022. <https://www.epi.org/publication/reclaiming-corporate-tax-revenues/>

ⁱⁱ Pew Research Center, "Top tax frustrations for Americans: The feeling that some corporations, wealthy people don't pay fair share." 7 April 2023. <https://www.pewresearch.org/fact-tank/2023/04/07/top-tax-frustrations-for-americans-the-feeling-that-some-corporations-wealthy-people-dont-pay-fair-share/>