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Testimony of Rep. Ann Matlack introducing

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

Before the Taxation Committee

Good afternoon, Senator Grohoski, Representative Perry and respected colleagues on the Taxation Committee. My name is Ann Matlack and I represent House District 43, which includes the communities of Cushing, Thomaston, South Thomaston, St George and part of Owls Head. I am here today to present **LD 1337, An Act to Require a Corporation That Files a Tax Return in the State to File a Tax Disclosure Statement**.

“Tax fairness is important. The perception that state ... taxes are treating individuals and corporations fairly is a cornerstone of public support for the tax system and for the government more broadly.” (State Corporate Tax Disclosure: Why It’s Needed, a policy brief by the Institute on Taxation and Economic Policy)

LD 1337 would require that all corporations annually file a Tax Disclosure Statement with the State of Maine and that that information, for the most part, be accessible to the public. The information being requested is readily available to corporations; it is not information that must be promulgated specifically for Maine. By amendment, I am also requesting that an online page be developed that would allow corporations to provide this information electronically.

As we here in Taxation heard last week, OPEGA is at a disadvantage in preparing their Tax Expenditure Reviews. When attempting to readily access financial information regarding tax credits allocated to corporations doing business in Maine, they face many expensive and labor-intensive obstacles. In their Evaluation of the Research Expense Tax Credit (R&D Credit), OPEGA reported, “This lack of data limits the ability of policymakers to measure and evaluate performance of the credit. Collecting additional direct data from credit recipients, however, may trigger business concerns about confidentiality.” They recommend policymakers consider what types of data are needed for effective oversight, balancing the value of transparency with business confidentiality concerns and how that data should be gathered and managed. Part of the purpose of the online portal would be to collect this data for use by OPEGA.

Additionally, requiring Tax Disclosure Statements would satisfy a proposed recommendation by the Financial Accounting Standards Board. FASB observed that existing income tax disclosures do not provide sufficient detail to assess tax risk and is recommending that better information disclosures be developed “to enhance the transparency and decision usefulness of income tax disclosures ... to better meet the information needs of investors in making capital allocation

decisions.” Maine’s Tax Disclosure Statement would provide information necessary for investors to make good decisions regarding their investments.

According to ITEP, “The real basis for corporate complaints about disclosure is that corporations not paying their fair share are afraid they will be found out. When ITEP and (Citizens For Tax Justice’s) studies of federal tax avoidance made it clear that many profitable corporations were paying no taxes, while others were paying at relatively high rates, the high-tax segment of the business community showed considerable support for federal reforms.”

This bill will provide valuable information to the public, to investors, to OPEGA and to the State so that we can be assured that everyone is paying their fair share.

I would be happy to answer any questions you may have.

Sources:

ITEP – Institute on Taxation and Economic Policy, State Corporate Tax Disclosure: Why It’s Needed

<https://itep.org/state-corporate-tax-disclosure-why-its-needed-1/>

FASB – Financial Accounting Standards Board, Improvements to Income Tax Disclosures, Proposed Accounting Standards Update, Issued: March 15, 2023

<https://www.fasb.org/Page/ShowPdf?path=Proposed+Accounting+Standards+Update%E2%80%94Income+Taxes+%28Topic+740%29%E2%80%94Improvements+to+Income+Tax+Disclosures.pdf&title=Proposed+Accounting+Standards+Update%E2%80%94Income+Taxes+%28Topic+740%29%3A+Improvements+to+Income+Tax+Disclosures&acceptedDisclaimer=true&Submit=>

OPEGA – Evaluation of the Research Expense Tax Credit (R&D Credit)

<https://legislature.maine.gov/doc/8379>