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THE MAINE SENATE
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**Testimony of Senator Richard Bennett
before the Joint Standing Committee on Taxation
LD 1804, "An Act to Provide Transparency and Accountability for Corporate Tax
Expenditures"
May 11, 2023**

Senator Grohoski, Representative Perry and esteemed members of the Joint Standing Committee on Taxation: I am Senator Rick Bennett of Oxford, and I have the honor of serving 14 communities in Western Maine in the State Senate. I am pleased to sponsor LD 1804, "An Act to Provide Transparency and Accountability for Corporate Tax Expenditures."

In order to ensure that our tax laws are working best for the State and the taxpayers, and that we are getting the most bang for our buck, we need to have a data collection system that demonstrates the success and fallbacks of our policies. We need to be able to understand the actual effect that certain tax cuts have on relevant industries if we are to determine if the systems should be expanded, tweaked, or eliminated.

There is no way to connect Maine's tax break programs and their intended purpose or to see what the state and taxpayers get for this money. In 2015, the Legislature set up a review process to solve this problem. The Office of Program Evaluation and Government Accountability (OPEGA) reviews of Maine's tax cut programs, reporting to this committee and the Government Oversight Committee. This tax expenditure review process has been identified as one of the strongest in the nation.

In its reviews of multiple business tax cut programs, OPEGA has repeatedly come to alarming conclusions, including:

- Program data to measure outcomes is often either not collected, inaccessible, or unreliable;
- Program goals often do not align with program design or implementation, are vaguely defined, or are not defined at all; and
- Administrative oversight is challenging.

These need to be rectified to ensure that Maine is getting the greatest value out of its tax programs.

In the past, OPEGA's findings have led state agencies and the legislature to clarify program goals, identify new data needed to evaluate the outcomes of programs, and shore up data collection procedures for some programs. But there is still work to be done to ensure accurate data is collected and accessible across Maine's tax programs and outcomes are worth the cost.

It can be difficult to accurately evaluate the outcomes and impacts attained through tax breaks. Data can be hard to access because many programs do not require transparency of how much money individual businesses receive in tax giveaways when they are created. For those programs that do require data collection, inconsistent data collection or outdated collection systems has sometimes been an issue.

The state used to require businesses receiving tax breaks to report information to the Department of Economic and Community Development, but this requirement was repealed in 2009. This resulted in to a patchwork of data that is collected across programs and state agencies today. Some programs have reporting requirements embedded in their statutes, but this is not consistent across programs. As a result, data is often inaccessible, unavailable, or unreliable.

LD 1804 seeks to fill in some of the data gaps so that we can be more informed in our policymaking. It requires the Commissioner of Economic and Community Development to submit annual reports on Pine Tree Development Zones and the employment tax increment financing credit and the State Tax Assessor to submit annual reports on the business equipment tax exemption, the shipbuilding facility credit and the business equipment tax reimbursement. The commissioner and the assessor are required to make these reports to this committee.

We owe it to the people of Maine to spend their tax money wisely. Without proper data collection, we cannot know if this is happening.

Thank you. I would be happy to answer any questions.