



Mike Tipping
Senator, District 8

THE MAINE SENATE
132nd Legislature

3 State House Station
Augusta, Maine 04333

Senator Curry, Representative Gere and members of the Housing and Economic Development Committee,

My name is Mike Tipping. I represent Senate District 8 in Penobscot County and I'm proud to present **LD 1664, An Act to Repeal the Dirigo Business Incentives Program.**

The Dirigo tax expenditures set into law last year are set to increase from \$4.6 million last year to \$110 million this biennium. That's now almost double what was spent on the predecessor tax incentive programs that Dirigo replaced.

I appreciate the work the members of the IDEA committee did with the administration last term to better target these programs than what was originally proposed. However, some of the fundamental problems we continue to hear about on the Government Oversight Committee, and that were identified by OPEGA in their review of the Pine Tree Development Zones program, remain. These include the concerns that there is no guarantee or evidence of increased quality job creation and retention above what would occur without this program in place and that the goals of this program might be better served by public expenditures rather than payments to private corporations.

I'm not quite naive enough to believe that we will completely repeal a program passed unanimously so recently, but I would urge this committee to consider the very different fiscal environment we find ourselves in today, where so many vital programs for vulnerable Maine people are on the chopping block and where more devastating cuts may soon be coming from the federal government.

I would urge this committee to consider a number of options for reigning in spending on this tax expenditure. This committee could:

- Eliminate refundability of the credit. Up to \$500,000 of the credit is refundable each year - paid to recipient corporations even if they pay no taxes.
- Lower the cap on the amount of credit businesses can receive. Currently the credit is capped at \$2 million per year. To reach the current cap would require either a \$20 million capital investment or training of 1,000 employees (or a combination)
- Limit the size of the businesses who can receive the tax credit. Currently there is no limit. (Only businesses who make over \$50,000 of capital investment are eligible.)
- Decrease the amount of the credit that can be carried over to future tax years. Currently this is capped at \$2 million per year.

- Disallow participation of businesses in both Dirigo and other major tax subsidy programs (e.g. major business headquarters expansion, R&D, New Markets, Seed Capital, minor league baseball, high technology investment, and major food processing /manufacturing facility expansion)
- Decrease the percentage of the the credit - currently 10% for most counties.

One of these changes could be enough to save the Head Start program. Two changes and you may have provided the money to protect Maine Veterans' Homes. If we reduced the credit to only the amount that was spent on similar credits last year, we'd also save enough to completely reverse the cuts to child care worker wage supplements, reverse the proposed cuts to hunger assistance through SNAP, fund school meals and more.

The state budget is a moral document and some of the most important decisions about what our priorities and values are as a state are in your hands right now.

Head Start isn't going to be saved in the Education Committee. Access to health Care won't be protected in HHS. The ability to find the resources to protect Maine people, children, the elderly, the ill, is right here in front of us. I don't believe this is the time to nearly double corporate tax breaks while cutting so much else.

I'd be happy to work with committee members to make some of those targeted changes. I appreciate your consideration and I'd be happy to answer any questions.