

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *May 14, 2025*

LD 1876 – “*An Act to Increase Use of State Tax Credits*”

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 1876, “*An Act to Increase Use of State Tax Credits.*”

This testimony is limited to the bill as it affects Maine Revenue Services. This bill is an emergency bill and is comprised of three parts:

Part A of the bill proposes to establish a 17-member Working Group to Study and Recommend Strategies to Increase the Utilization of Individual Tax Credits (“the working group”) which is required to submit a report to the Legislature, with any proposed legislation, by December 15, 2025, primarily focused on the earned income tax credit, the property tax fairness credit, the dependent exemption tax credit, and the sales tax fairness tax credit.

Part A also provides numerous reference points and metrics that the working group must consider in its study of the use of state tax credits – including examination of the current role of the Maine Revenue Services Taxpayer Advocate.

The Legislative Council and, upon request, various Departments, including the Department of Administrative and Financial Services (DAFS) of which MRS is a part, must provide staffing services and assistance to the working group.

Part B of the bill requires large tax preparation firms that offer tax return preparation services in the State to annually submit a report to the MRS, Office of Tax Policy, and the Taxpayer Advocate documenting the staff training provided to the firm's employees in the prior year related to increasing employee knowledge of state tax credits. The first report is due January 1, 2026, documenting employee training provided in 2025.

Part C of the bill requires the State Controller to transfer \$150,000 from the unappropriated surplus of the General Fund to the All Other line category in the University of Maine System, New Ventures Maine program to support a coalition of organizations providing free volunteer tax assistance and other financial education services to low-income individuals and families statewide. It is our understanding that the program currently partners with CA\$H Maine, a statewide collaboration of nine coalitions comprised of approximately 50 nonprofit and for-profit partners to assist Maine individuals and families with tax preparation and other financial matters.

LD 1491, *a Resolve to Study Consolidation of Payment of Cost-of-living Tax Credits* (enacted in 2019), included a study and summarization of these tax credits.

The Administration opposes LD 1876 primarily for two related reasons – the bill's proposed timing and its scope. First, both Part A and Part B of the bill address the work of the MRS Taxpayer Advocate. As noted previously to this Committee, it is expected that an Administration bill will be released soon that will refocus and expand the duties of the Taxpayer Advocate to work on many of the

issues raised in this bill. The Committee would be better served by considering the role of the Taxpayer Advocate as proposed in that bill and circling back next Session to receive input from the Taxpayer Advocate on many of the important issues raised by LD 1876.

Second, the charge of duties to a working group such as that proposed by LD 1876 would be better shaped after the Committee reviews and considers the fields of data that exist or otherwise are practicably available to measure or reliably estimate many of the metrics listed in Part A of the bill.

Third, with the extensive range and depth of work being required of the working group, it is unlikely that the working group will be able to gather and analyze the data and other relevant information, reach conclusions, develop recommendations, and complete its report and recommended legislation in a meaningful way by December 15, 2025.

The Administration also notes the bill does not propose a standardized report format or designated process for a large tax preparation firm to submit their report to the State, address the consequences for noncompliance, or prescribe a method of notification to be provided to large tax return preparation firms subject to the reporting requirement.

The preliminary estimated fiscal impact is not available at this time.

The preliminary estimated administrative costs are under review.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to respond to the Committee's questions.