

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *May 8, 2025*

LD 1865 – “*Resolve, to Create a Tax Incentive Pilot Project to Encourage
Businesses to Adopt a 4-day Workweek*”

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 1865, “*Resolve, to Create a Tax Incentive Pilot Project to Encourage Businesses to Adopt a 4-day Workweek.*”

This testimony is limited to the bill as it relates to the creation and administration by Maine Revenue Services (MRS) of the proposed employer income tax credit. This bill would establish the Four-day Workweek Pilot Project which aims to promote, incentivize, and study the use of a four-day workweek by eligible employers participating in the project. The program must start no later than January 1, 2027, and must last at least 2 years, but no more than 4 years.

Section 2 of the bill provides by unallocated language that an employer participating in the pilot program is entitled to an income tax credit – to be jointly developed by DOL and the State Tax Assessor – for tax years beginning on or after January 1, 2027. The Department of Labor (DOL) must determine the participating employer to be eligible.

The bill requires the Commissioner of DOL and the State Tax Assessor to jointly develop the specific criteria that would determine the credit amount. DOL must develop the eligibility criteria and certification process, while the State Tax Assessor must develop the process to apply the tax credit against the tax liabilities of the employers certified by DOL.

DOL, in consultation with the State Tax Assessor, shall determine the value of the credit based on one or more of the following criteria:

- A fixed dollar amount for each participating employer.
- A fixed dollar amount for each participating employee.
- A percentage of the wages paid to each participating employee.
- A dollar amount that assists in offsetting a participating employer's costs to hire new employees due to the employer's participation in the pilot project.

DOL and the State Tax Assessor may adopt routine technical rules to implement the tax credit, including eligibility criteria, the application process, and the amount of the tax credit. For the duration of the credit, the State Tax Assessor and DOL are required to submit annual reports on the project to the joint standing committees having jurisdiction over appropriations and financial affairs, taxation matters, labor matters, and economic and community development matters.

Section 2 of the bill – drafted as a Resolve directing DOL and MRS to develop and implement the proposed tax credit – is inconsistent with historical approaches to enacting state tax measures, and more significantly exceeds the understood limits of delegation of taxing powers under Article IX, Section 9 of the Maine Constitution, which provides as follows:

Section 9. Power of taxation. The Legislature shall never, in any manner, suspend or surrender the power of taxation.

To address this concern, Sec. 2 of the bill should be amended to include codified language that enacts statutory provisions in Title 36 that prescribes elements of the credit, such as eligibility criteria, calculation and amount, limitations, refundability, carryovers, recapture, etc.

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

The preliminary estimated administrative costs cannot be determined until the bill contains codified language that provides credit details including the scope and application of the credit.

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