

DATE: October 18, 2023
TO: Government Oversight Committee
FROM: OPEGA Tax Expenditure Review Team
RE: Tax Expenditure Review Updates and Categorization Process

There are three items related to the tax expenditure review process to be covered at today's meeting.

(1) Refresh of Key Tax Expenditure Review Processes

As the GOC undertakes the annual categorization and scheduling process today and considers updates to the tax expenditure process created with recently passed legislation, OPEGA is providing an updated flow chart and brief description of core processes.

(2) Changes to Tax Expenditure Review Process

PL 2023, Ch. 417 made changes to Maine's tax expenditure review process. Some of these changes will impact OPEGA and GOC processes and OPEGA will be bringing proposals to the GOC for processes to address them. OPEGA is providing a summarization of the changes.

(3) Required 2023 Categorization and Scheduling Process

Each year, the GOC reviews and makes "any necessary adjustments to the review category assignments and schedule" according to 3 MRSA §998(3). Statute dictates that this annual review shall be conducted by October 1 of each year, in consultation with the Taxation Committee of the Legislature. The GOC's annual process builds on the work of previous Committees by reviewing the categorization of tax expenditures and the schedule of reviews, with a focus on any changes in the previous year that indicate expenditures should be added, removed or re-categorized.

OPEGA is charged, under 3 MRSA §998(4) with maintaining a record of the universe of tax expenditures subject to review (i.e. what is counted as a tax expenditure for review purposes) including what type of review each expenditure is subject to (described under "Review categories" below) and the schedule of review (i.e. the order of reviews).

OPEGA has provided the GOC with proposed 2023 categorization changes and the proposed schedule for full evaluations to be completed.

Required Committee Action

Item (3), Categorization and Scheduling requires a GOC vote.

- Draft Motion Language: The Committee moves to [accept the categorization changes as recommended/accept the categorization changes with the following amendments] and [accept the proposed scheduled/accept the proposed scheduled with the following amendments].