

OPEGA Recommendation for Expedited Category

Expedited Category

3 MRS §998(3). Annual review of assignments and schedule. By October 1st of each year, beginning in 2016, the committee, in consultation with the policy committee, shall review and make any necessary adjustments to the review category assignments and schedule pursuant to subsections 1 and 2, including adjustments needed to incorporate tax expenditures enacted, amended or repealed during the preceding year.

Subsection 1(B). Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured.

PL 2023, ch. 417 eliminated the expedited review process from statute, but retained the expedited review category for the purposes of categorizing tax incentives.

Although the expedited review process no longer exists, at present, there are 91 tax expenditures categorized in the expedited review category. Future tax expenditures that are enacted or tax expenditures that undergo a change in revenue loss estimates may also be moved into this category.

Recommendation:

OPEGA recommends that the Expedited Category be removed from statute for the purposes of categorization, moving the incentives into the No Review category.

This would not affect the review of any Business Incentives as there are no Business Incentives currently in the Expedited Category. (Chapter 417 directs the GOC and TAX to prioritize review of Business Incentives over other categories of tax expenditures).

Additionally, incentives in the No Review category are still tracked by OPEGA and would be raised to GOC attention should a revenue loss estimate increase to the point that a Full Review may be warranted.

If this change is made, the GOC can still direct OPEGA to conduct a review of a tax expenditure in the No Review category at any time. The No Review category denotes that the tax expenditures are not in line for any regular, scheduled review by OPEGA.

DRAFT BILL LANGUAGE

An Act to Clarify the Tax Expenditure Review Process

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 3 MRSA §998, sub-§§ 1 and 2 are amended to read:

§998. Process for review of tax expenditures

1. Assignment of review categories. By October 1, ~~2015~~2025, the committee, in consultation with the policy committee, shall assign each tax expenditure to one of the following review categories:

A. Full evaluation for tax expenditures that are intended to provide an incentive for specific behaviors, that provide a benefit to a specific group of beneficiaries or for which measurable goals can be identified; ~~and~~ [PL 2015, c. 344, §4 (NEW).]

~~B. Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured; and [PL 2015, c. 344, §4 (NEW).]~~

C. No review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured, with an impact on state revenue of less than \$50,000 or that otherwise do not warrant either a full evaluation or expedited review. [PL 2015, c. 344, §4 (NEW).]

2. Schedule. The committee, in consultation with the policy committee, shall establish a prioritized schedule of ongoing review of the tax expenditures assigned to the full evaluation ~~and expedited review categories~~ category pursuant to subsection 1, paragraphs A ~~and B~~. To the extent practicable, the committee shall group the review of tax expenditures with similar goals together. Beginning in 2024, when prioritizing ongoing review of tax expenditures assigned to the full evaluation category, the committee, in consultation with the policy committee, shall give priority to tax expenditures that are intended to provide an incentive to businesses over tax expenditures that are directed primarily toward individual tax relief and shall consider the impact of any statutory provisions regarding the expiration of a tax expenditure that may be the subject of legislation to extend the tax expenditure.

SUMMARY

This draft bill removes the expedited review category for tax expenditure reviews from statute and directs the Government Oversight Committee to classify the expenditures currently in this category and any future expenditures that would be in this category into the No Review category by October 1, 2025.