

To : Members of the Government Oversight Committee,
From: Albert A. DiMillo Jr.
Subject: OPEGA Report – Credit for Business Headquarters Expansions

My name is Albert DiMillo and as a retired CPA and former Corporate Tax Director with over 30 years of corporate tax experience with multi-state corporations, I wish to respond to the OPEGA report on the Evaluation of the Credit for Major Business Headquarters Expansions.

My concerns with the report are as follows:

- 1). The report took over 7 years to be issued, which was at least 5 years too late.
- 2). The report incorrectly concluded that there was no duplication of Maine income tax benefits from earlier Maine law changes related to single sales factor apportionment.
- 3). The report failed to provide significant information about millions in other local property tax benefits provided to IDEXX from Maine cities.
- 4). The report did not provide any information that would have suggested it was even remotely possible that IDEXX would have made Headquarter investments outside of Maine without this credit from Maine.
- 5). The report like many other reports on tax issues, illustrated that OPEGA lacks the proper detailed tax experience to evaluate complex tax issues.
- 6). The report fails to address the total state income tax benefits that IDEXX has received since 2007 and the unreasonable outcome, where a very profitable multi-billion-dollar company with a significant number of employees and assets in Maine pays zero Maine corporate income taxes and is given millions in cash just for being in Maine unlike any other business in Maine.

To illustrate # 6) above here is some information from the IDEXX Audited financial statements for the 5 years ended 12/31/24:

Revenue	16.8 Billion
Profit before income tax	4.6 Billion
Federal income tax	695 Million
Foreign income tax	165 Million
Non ME state income tax	141 Million
Maine income tax	0
2021 - 2023 ME refunds	2.3 Million

From
Attachment A

Attached below is my 4/13/23 testimony I gave to the taxation committee related to LD 1313 (a law change that enabled IDEXX to get credits even though they failed to meet the 2017 law requirements). It detailed the many issues related to the amending of the above Headquarters credit and how it was clearly a duplicate benefit to the changing of the Maine law related to apportionment. In that memo, I also estimated at that time IDEXX had saved at least 95 million in Maine income tax benefits.

With regard to # 2) above, OPEGA illustrated their lack of experience or knowledge on tax issues including the benefit of Maine changing from a three factor apportionment to a single sales apportionment in 2007. In 2007, Maine was just the 7th state in the US to change to this

single sales apportionment. Also, it was clear that this method was used by those 7 states to incentivize companies to move to their states and to make large investments in buildings and equipment in their states. This is the same incentive as the Headquarters credit and is clearly duplicative. In 2018, I tried to explain this issue to the legislature, but they assumed OPEGA would address this issue. Clearly, after waiting 7 years, OPEGA did not properly address this issue in my opinion as a tax expert.

With regard to # 3) above, as noted in my 4/13/23 testimony attached below, IDEXX will receive about \$17 million in property tax reductions through 2037 from a Westbrook TIF. This is the Headquarters expansion used to get this \$16 million income tax credit.

In summary, the Credit for Business Headquarters Expansion was a duplicative credit that should have never been passed and enacted by the Maine legislature and was another example of a poorly designed tax incentive, which should be repealed for year 2026 and future years.

Albert A DiMillo Jr.
Retired CPA and former Corporate Tax Director
Wells, Maine
aadimillo@yahoo.com
207 415-0392

IDEXX 2020-2024 FS

IDEXX 2020 - 2024 FINANCIAL INFORMATION FROM AUDITED FINANCIAL STATEMENTS
IN THOUSANDS

	TOTAL 2020 - 2024	2020	2021	2022	2020 - 2022 SUBTOTAL	2023	2024
REVENUE	16,847,796	2,706,655	3,215,360	3,367,324	9,289,339	3,660,953	3,897,504
PROFIT BEFORE INCOME TAXES	4,595,618	661,985	902,654	859,972	2,424,611	1,061,176	1,109,831
	0				0		
FEDERAL INCOME TAX	695,147	72,921	112,811	150,099	335,831	191,274	168,042
FOREIGN INCOME TAX	164,528	26,301	29,288	35,138	90,727	32,797	41,004
STATE INCOME TAX	140,823	17,346	19,147	30,529	67,022	32,797	41,004
MAINE INCOME TAX		0	0	0	0	0	
2021-2023 ME INCOME TAX REFUNDS	(2,261)		(800)	(800)	(1,600)	(661)	

Attachment A

IDEXX LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	For the Years Ended December 31,		
	2024	2023	2022
Revenue:			
Product revenue	\$ 2,248,178	\$ 2,089,936	\$ 1,928,773
Service revenue	1,649,326	1,571,017	1,438,551
Total revenue	3,897,504	3,660,953	3,367,324
Cost of Revenue:			
Cost of product revenue	716,078	717,951	656,511
Cost of service revenue	802,499	753,032	706,475
Total cost of revenue	1,518,577	1,470,983	1,362,986
Gross profit	2,378,927	2,189,970	2,004,338
Expenses:			
Sales and marketing	588,507	566,066	524,505
General and administrative	442,291	335,825	326,248
Research and development	219,792	190,951	254,820
Total operating expenses	1,250,590	1,092,842	1,105,573
Income from operations	1,128,337	1,097,128	898,765
Interest expense	(31,205)	(41,581)	(39,858)
Interest income	12,699	5,629	1,065
Income before provision for income taxes	1,109,831	1,061,176	859,972
Provision for income taxes	221,964	216,134	180,883
Net income	\$ 887,867	\$ 845,042	\$ 679,089
Earnings per Share:			
Basic	\$ 10.77	\$ 10.17	\$ 8.12
Diluted	\$ 10.67	\$ 10.06	\$ 8.03
Weighted Average Shares Outstanding:			
Basic	82,467	83,066	83,623
Diluted	83,246	83,978	84,600

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands)

For the Years Ended December 31,			
	2024	2023	2022
Domestic	\$ 897,336	\$ 889,133	\$ 684,661
International	212,495	172,043	175,311
	<u>\$ 1,109,831</u>	<u>\$ 1,061,176</u>	<u>\$ 859,972</u>

The provision (benefit) for income taxes comprised the following:

<i>(in thousands)</i>			
For the Years Ended December 31,			
	2024	2023	2022
Current			
Federal	\$ 168,042	\$ 191,274	\$ 150,099
State	37,112	40,369	30,529
International	41,004	32,797	35,138
	246,158	264,440	215,766
Deferred			
Federal	(24,642)	(36,501)	(31,663)
State	(4,709)	(6,462)	(5,735)
International	5,157	(5,343)	2,515
	(24,194)	(48,306)	(34,883)
	<u>\$ 221,964</u>	<u>\$ 216,134</u>	<u>\$ 180,883</u>

The provision for income taxes differs from the amounts computed by applying the statutory federal income tax rate as follows:

For the Years Ended December 31,			
	2024	2023	2022
U.S. federal statutory rate	21.0 %	21.0 %	21.0 %
State income tax, net of federal tax benefit	2.4	2.7	2.3
Taxation on international earnings	(0.2)	(0.1)	0.6
Foreign derived intangible income	(1.3)	(1.4)	(1.7)
Share-based compensation from settlements	(1.8)	(1.3)	(1.5)
Research and development credit	(1.0)	(1.2)	(1.1)
Other, net	0.9	0.7	1.4
Effective tax rate	<u>20.0 %</u>	<u>20.4 %</u>	<u>21.0 %</u>