



SEN. NATHAN LIBBY, SENATE CHAIR  
REP. GENEVIEVE McDONALD, HOUSE CHAIR

MEMBERS:

SEN. LISA KEIM  
SEN. DONNA BAILEY  
SEN. RICHARD BENNETT  
SEN. JEFFREY TIMBERLAKE  
SEN. ELOISE VITELLI  
REP. KATHLEEN R.J. DILLINGHAM  
REP. AMY ARATA  
REP. H. SAWIN MILLETT, JR.  
REP. MARGARET O'NEIL  
REP. HOLLY STOVER

MAINE STATE LEGISLATURE  
GOVERNMENT OVERSIGHT COMMITTEE

**MEETING SUMMARY**

**March 12, 2021**

**Accepted March 26, 2021**

**Call to Order**

The Chair, Rep. McDonald, called the electronically conducted Government Oversight Committee meeting to order at 9:06 a.m.

Rep. McDonald summarized the process for the electronic meeting.

**ATTENDANCE**

Senators: Sen. Bailey and Sen. Bennett  
Joining the meeting in progress: Sen. Timberlake and Sen. Vitelli  
Absent: Sen. Libby and Sen. Keim,

Representatives: Rep. McDonald, Rep. Dillingham, Rep. Arata, Rep. Millett,  
Rep. O'Neil and Rep. Stover

Legislative Officers and Staff: Lucia Nixon, Director, OPEGA  
Amy Gagne, Senior Analyst, OPEGA  
Jennifer Henderson, Senior Analyst, OPEGA  
Ariel Ricci, Analyst, OPEGA  
Etta Connors, Adm. Secretary, OPEGA/Clerk, GOC

**Introduction of Committee Members**

The members of the Government Oversight Committee introduced themselves.

**Summary of February 26, 2021 GOC Meeting**

The Meeting Summary of February 26, 2021 was accepted as written.

82 State House Station, Room 104 Cross Building  
Augusta, Maine 04333-0082  
TELEPHONE 207-287-1901 FAX: 207-287-1906

## New Business

- **Overview of Tax Expenditure Review Process**

Director Nixon summarized the overview of tax expenditure review process. (A copy of the Overview is attached to the Meeting Summary.)

- **Tax Expenditures: Review and adjustments to review category assignments and schedule**

Director Nixon said this is the GOC's annual tax review and the time to make any necessary adjustments to the assignments of tax expenditures to the full evaluation, expedited and no review categories. Today the GOC will be reviewing proposed adjustments to the review category assignment. OPEGA does have some proposed adjustments under the full evaluation, expedited review and no review categories, after looking at newly enacted tax expenditures and how to work them into the framework that OPEGA has. OPEGA invites the GOC to consider the proposed adjustments to the category assignment and to decide whether they want to make any adjustments to the prioritized schedule. If the GOC approves the adjustment and schedule, with or without modification, the next step will be to send a communication to the Taxation Committee, which traditionally has been done by the OPEGA Director communicating with the Taxation Committee, through their analyst, and providing what the GOC has approved and giving the Taxation Committee the opportunity to review it themselves and consider whether they have any changes.

Ms. Ricci explained that it is the GOC's responsibility to maintain what is described as the universe of tax expenditures for review and which category those reviews should be in. Category A is a full evaluation by OPEGA, Category B is an expedited review conducted by the Taxation Committee and Category C is no review. The GOC is also responsible for maintaining the review schedule, which is a prioritized list that sets out the order of reviews. Each year, in this annual process, the Committee builds on the work of previous Committees by considering whether any changes should be made going forward. A focus of that work is incorporating newly enacted tax expenditures, adjusting any tax expenditures that have been amended such that a change to the category should take place, or removing those that have been repealed. What the GOC is looking at today are proposed adjustments that have resulted from statutory changes in 2020.

Ms. Ricci summarized the tax expenditures documents. (Attached to the Meeting Summary is: Director Nixon's memo to the GOC regarding Annual review and adjustment of tax expenditures review category assignments and schedules; Proposed adjustments to tax expenditure review category assignments; Category B – Expedited Review by Taxation Committee List of broad tax policy goals, noting proposed changes; and Category A – Full Review by OPEGA List of in progress and future evaluations.)

(Document 1.) For the "Proposed adjustments to tax expenditure review category assignments," is the list of proposed adjustment. For this, OPEGA reviews various sources to catalogue new, repealed or modified tax expenditures arising from changes in statute in 2020. OPEGA also looks at changes in revenue loss estimates from the Maine Revenue Services' (MRS) Maine State Tax Expenditure report. In 2020 there were some new tax expenditures that were enacted and some were repealed. There were not any changes that indicated that there should be a change from one category to another.

Ms. Ricci referred to ID # 189 – Credit for Affordable Housing under the Recommended changes to Category A – Full Evaluation by OPEGA. She explained that, at this time, OPEGA is not delving into these expenditures in any detail more than looking at the high level of what is it, what are the revenue loss estimates and what appears to be the tax policy goal. The more detailed questions would come later when OPEGA is actually conducting a review. At this stage, OPEGA is just looking at where do the expenditures fit in the schedule. The Credit for

Affordable Housing appeared to warrant a full evaluation because it is something that does have a clear policy goal. OPEGA's proposal is that it gets added to the Category A schedule.

Referring to the recommended changes to Category B – Expedited Review by the Taxation Committee, Ms. Ricci said the first entry was actually a tax expenditure that in its enacting statute, also included a repeal date, which became effective at the end of 2019. So, that repeal has become effective and we are proposing that this tax expenditure be removed from Category B. The second and third entries, “Non-profit youth camps” and “Non-profit world-wide, charitable organizations” are sales tax exemptions and are new enactments and very much fit within other sales tax exemptions that are subject to an expedited review so OPEGA is proposing that those get added into the relevant place in the expedited review schedule.

Ms. Ricci said there were a number of newly enacted expenditures that appeared to OPEGA to fit into Category C – No review, and that is because either there are no estimates available or the fiscal estimates available are relatively low and under the \$50,000 threshold. The fiscal impact estimate is something, in the annual process, that OPEGA keeps an eye on and if there are changes in those they would be recommending to the Committee in the future a change from the no review to another review category, if appropriate.

(Document 2.) “Category B – Expedited Review by Taxation Committee” is the list of the expedited reviews that take place by the Taxation Committee. For those new members of the GOC, with the expedited reviews there are many expenditures that, in effect, get grouped together by their broad tax policy goal and then they all get reviewed together by the Taxation Committee. Rather than give the GOC the long list of all of the individual expenditures, this list simply shows the schedule going forward for each of the groupings. Ms. Ricci said, as noted previously, this year, 2021, is the last grouping of the first full cycle of expedited reviews so this year there will be an evaluation of a number of smaller expenditures under tax policy goals of conformity with the Internal Revenue Code and exemptions for inputs to tangible products. The proposed removal of the repealed expenditure would come out of this category so would not be included. OPEGA has also listed, for reference, the future evaluations. As this year concludes, their cycle will restart with a new cycle of each of the tax policy areas. If those changes that were discussed earlier in the Category B changes are accepted, this is where you would see the additions in the 2024 and 2025 Charitable Exemptions grouping.

(Document 3.) “Category A – Full Review by OPEGA”, lists full evaluations in progress, scheduled in the future and those completed. OPEGA currently has the Maine Seed Capital Tax Credit underway and a report to the GOC will be presented in late summer of this year. OPEGA also has the Credit for Rehabilitation of Historic Properties and Research Expense Tax Credit, which are both in preliminary research at this time and are due to have their evaluation parameters presented to the GOC by the end of April, with the Rehabilitation of Historic Properties being the priority of the two.

Ms. Ricci said the future full evaluations are grouped together by tax policy goals and they appear in priority order as set by previous committees. She referred to the newly enacted Credit for Affordable Housing that appears in the list under the specific policy goal mandate. At the end of the document is a list of completed reviews and the year of the report. Similar to the expedited reviews, the full evaluations are intended to operate on a cycle so that when all of the full evaluations have been completed the new cycle starts at the beginning, although there are a lot of full evaluations so the cycle will be more than the six year cycle for the expedited.

Ms. Ricci said the information presented gives the GOC a sense of what will be coming up. If there is interest by the Committee in moving a policy group within the future evaluations section, or an individual expenditure within a group, to a higher priority than they currently are, that can be done through a motion. If there is no desire to change the priority list, the only motion required is whether to accept the proposed changes that insert and remove and repeal new tax expenditures.

Rep. Dillingham noted that on the Credit for Affordable Housing, it appears OPEGA has bumped that review ahead of a few others so was looking for an explanation of placement.

Ms. Ricci said the rationale for placement of new items on the list is that it is not that new ones go to the bottom of the list, but those that are within a similar grouping are listed together. The groupings were set by a Government Oversight Committee several sessions ago, and OPEGA tries to get them together so they can be considered together. That does not mean that it's strictly necessary. There is flexibility and if the Committee was interested in Air & Water Pollution Control Facilities being considered before the Affordable Housing, those are changes that can be made. Noting how far down the list this evaluation is, it is probably going to be a little while before OPEGA gets to it, but this gives the GOC a sense of the rationale about why they tried to group them together rather than just adding new expenditures on to the end of the list.

**Motion:** That the Government Oversight Committee approve the adjustments to the review category assignments and the schedule for tax expenditure evaluations for 2021 as presented by OPEGA. (Motion by Rep. Dillingham, second by Rep. Stover, motion passed by unanimous vote 10-0, 2 members absent.)

## Unfinished Business

- Request for Review of Wild Blueberry Commission  
(*On hold pending a response from Agriculture, Conservation and Forestry Committee*)

Rep. McDonald noted that there is a request pending for a review of the Wild Blueberry Commission and is on hold pending a response from ACF Committee. The GOC sent a letter to that Committee requesting input and a report back by March 26, 2021.

## Report from Director

### • Status of OPEGA Projects and Reviews

Director Nixon said there has not been any change regarding the status of projects since the detailed overview given to the GOC at their last meeting. The Committee will be doing an in depth review of the Work Plan in an upcoming meeting.

### • Other updates

Director Nixon said, as noted by Rep. McDonald, a letter was sent to the ACF Committee requesting a report back by March 26. The GOC also sent letters regarding the Maine Commission on Indigent Legal Services (MCILS) project. A letter was sent to the Commission to formalize the Committee's request for a quarterly report back for the balance of the 130<sup>th</sup> Legislature and also a letter from the GOC Chairs was sent to the State Auditor requesting a meeting to discuss any possible resources that the State Auditor could bring to bear. For the Pine Tree Development Zones (PTDZ) report, a letter was sent to the Department of Economic and Community Development (DECD) with a copy to the Maine Revenue Services (MRS) and the appropriate legislative policy committees, outlining four questions that the GOC had for DECD following its work session on the report, with a request to answer those questions by April 12, 2021.

Director Nixon noted that OPEGA's Annual report, which is a report the Office provides as a summary of activities and a recap of what the Office has done, have regrettably not been submitted to the GOC for the years 2019 or 2020, but OPEGA is on track to get those reports to the Committee as soon as possible. OPEGA intends to submit a catch-up report for 2019 and 2020 by the end of March.

OPEGA's key activities in the next two weeks in preparation for the GOC's next meeting will be getting those annual reports completed and submitted, preparing for the presentation of the OPEGA budget, which is something that is done annually, and also focusing on preparing a draft biennial Work Plan for 2021 – 2022 of the reviews and projects to be conducted for the Committee's consideration and deliberation. As part of that OPEGA will be developing status updates on where all the projects stand to give the GOC the information they need to set their priorities.

Rep. Millett referred to a request that was submitted on March 4, 2021 by Rep. Justin Fecteau requesting a GOC overview of the WorkDay system project within DAFS. He wanted to know if that request had been received by OPEGA staff and, if so, when it might appear on the GOC's agenda for future consideration.

Director Nixon said a copy of Rep. Fecteau's review request was provided to OPEGA and she is working with the GOC Chairs in scheduling that request for a meeting. There is a need to gather information.

Rep. McDonald said currently the Chairs have not had an opportunity to discuss the review request. The Attorney General's Office and DAFS are both in the early stages of their investigation and that may produce new information. Before adding Rep. Fecteau's request to a meeting agenda there should be supporting materials so all Committee members can review the request ahead of time. Rep. Millett said he was just curious as to whether the request for a review had been received in a timely manner.

## **Planning for upcoming meetings**

Rep. McDonald said as of now the following items are on deck for upcoming meetings.

- Presentation and approval of OPEGA Budget (planned for: 3/26/21)
- Presentation and approval of Annual Work Plan (planned for: 3/26/21)
- MCILS Part I: Report back on data assessment (*requested by GOC 2/12/21*)

## **Next GOC meeting date**

The next GOC meeting is scheduled for Friday, March 26, 2021 at 9:00 a.m.

## **Adjourn**

The Chair, Rep. McDonald, adjourned the meeting at 9:50 a.m. on the motion of Rep. Dillingham, second by Rep. Millett, unanimous.



# **Overview of Tax Expenditures Review Process**

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**Presentation to the Government Oversight Committee  
March 12, 2021**

**Lucia A. Nixon, Director**  
**Office of Program Evaluation and Government Accountability**  
<http://legislature.maine.gov/opega/>  
(207) 287-1901

## **What are Tax Expenditures?**

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State tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability.

(5 MRSA §1666)

## Legislative History & Context

- Maine Legislature enacted tax expenditure reviews in 2015  
**“An Act To Improve Tax Expenditure Transparency and Accountability”** (PL 2015, c.344)
- Law requires:
  - ✓ GOC to organize and schedule tax expenditure reviews
  - ✓ OPEGA to conduct “full evaluation” reviews
  - ✓ Taxation Committee to conduct “expedited” reviews

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## Process for Review of Tax Expenditures (3 §998)

### GOC responsibilities

- Assign a review category for each tax expenditure.
  - A. Full Evaluation**
  - B. Expedited Review**
  - C. No Review**
- Establish prioritized schedule for review
- Annually review and adjust assignments and schedule
- Consult with Taxation Committee on assignment/schedule

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## **Full Evaluation of Tax Expenditures** (3 §999)

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- Conducted by OPEGA
- Expenditure provides incentive for specific behavior or benefit to specific group, or has measurable goals
- For each evaluation, GOC required to approve:
  - › *Purpose, intents and goals*
  - › *Intended beneficiaries*
  - › *Evaluation objectives*
  - › *Performance measures*
- Input from OPEGA, Taxation Committee and stakeholders
- OPEGA report goes to GOC and Taxation Committee

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## **Expedited Review of Tax Expenditures** (3 §1000)

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- Conducted by Taxation Committee
- Expenditures intended to implement broad tax policy goals
- Assess continued relevance of or need for adjustments to:
  - ✓ *Broad tax policy under review*
  - ✓ *Individual tax expenditures in the tax policy area*
- OPEGA provides summary information to support review
- Taxation Committee reports results to Legislature annually

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## **Review Activity 2015-2021**

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### **Expedited Review Category / Taxation Committee**

- Organized into 7 policy areas (6 year review cycle)
- Have completed 5 policy areas to date
- Remaining 2 tax policy areas scheduled for 2021

### **Full Evaluation Category / OPEGA**

- Completed: 6 tax expenditures
- In-progress: 3 tax expenditures
- Limited scope/follow-up reviews completed: 2



LUCIA A. NIXON  
DIRECTOR

MAINE STATE LEGISLATURE  
OFFICE OF PROGRAM EVALUATION AND  
GOVERNMENT ACCOUNTABILITY

TO: Members, Government Oversight Committee  
FROM: Lucia Nixon, Director  
DATE: March 5, 2021  
RE: Annual review and adjustment of tax expenditure review category assignments and schedules

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Each year, the Government Oversight Committee is required by statute to review and make any necessary adjustments to the review category assignments and schedule for tax expenditure evaluations, including adjustments to incorporate tax expenditures enacted, amended or repealed in the preceding year. The tax expenditure review categories set forth in statute are as follows:

- A. Full evaluation, conducted by OPEGA
- B. Expedited review, conducted by the Taxation Committee
- C. No review

These provisions are found in Title 3, section 998, Process for review of Tax Expenditures, which is provided on page of this memo for your reference. To assist the GOC in conducting this annual review and adjustment of the category assignments and schedule for tax expenditure evaluations, OPEGA has prepared the following three documents:

**1. Proposed adjustments to tax expenditure review category assignments.** This provides a summary of recommended changes by review category. For each proposed change, it provides a brief description of the tax expenditure, revenue loss estimates for FY22 and FY23 and outlines the proposed adjustment. The proposed adjustments by category are as follows:

- A. Full Evaluation: Add one newly enacted expenditure
- B. Expedited Review: Remove one repealed expenditure; add two newly enacted expenditures
- C. No Review: Add 5 newly enacted tax expenditures

**2. Category B - Expedited Review by Taxation Committee.** This provides an outline of the prioritized schedule for expedited reviews, which are organized by broad tax policy goals, with a notation of the proposed adjustments.

**3. Category A - Full Evaluation by OPEGA.** This provides a list of the full evaluations that OPEGA has in progress followed by a prioritized schedule for future full evaluations to be completed. At the end we provide a list of completed full evaluations by year.

The Committee is invited to consider the proposed adjustments to the tax expenditure review category assignments and whether it wishes to make changes to the prioritized schedules for future expedited reviews or full evaluations.

**Maine Revised Statutes - Title 3: Legislature**  
**Chapter 37: Legislative Oversight of Government Agencies and Programs**  
**Section 998: Process for review of tax expenditures**

**§998. Process for review of tax expenditures**

**1. Assignment of review categories.** By October 1, 2015, 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;
- B. Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured; and
- C. No review for tax expenditures with an impact on state revenue of less than \$50,000 or that otherwise do not warrant either a full evaluation or expedited review.

**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 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.

**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.

**4. Office responsibilities.** The office shall maintain a current record of the review category assignments and the schedule under this section.

**1. Proposed adjustments to tax expenditure review category assignments  
Presented to the Government Oversight Committee on March 12, 2021**

Note: OPEGA reviewed the Bill and Enacted Law Summaries produced by OPLA for relevant Committees, along with other resources, to catalogue new, repealed or modified tax expenditures from statutory changes in 2020. The statutory changes that create or repeal tax expenditures are listed below. There were no modifications that indicate changes to the review category of any existing expenditures.

<b>ID #</b>	<b>Expenditure Program Name</b>	<b>Brief Description</b>	<b>Tax policy goal</b>	<b>Revenue Loss Estimate</b>	<b>Revenue Loss Estimate</b>	<b>Statutory Cite:</b>	<b>Proposed adjustment</b>
<b>Recommended changes to Category A - Full Evaluation by OPEGA</b>							
189	Credit for Affordable Housing	Taxpayer receiving a tax credit certificate from MSHA for an affordable housing project located in Maine, may claim a refundable tax credit for that taxable year. Credit is equal to either (1) the total federal low-income housing tax credit claimed under IRC section 42 using entire federal credit period for all buildings in a qualified Maine project, or (2) an amount equal to the lesser of \$500,000 or 50% of the qualified basis of an affordable housing project that incurs at least \$100K includable in eligible basis in construction or rehabilitation of an affordable housing project for which IRC section 42 is not claimed.	Business Incentive - Financial Investment	\$8,645,000	\$9,500,000	36 MRS §5219-WW	Enacted by PL 2019, c. 555, §6. Proposal: add to "Category A - Full Evaluation".
<b>Recommended changes to Category B - Expedited Review by Taxation Committee</b>							
143	Fuel Used in Certain Agricultural Production	Sales tax exemption available to some agricultural employers exempting 95% of fuel purchased for use at large, year-round greenhouse facilities. Effective beginning 1/1/2016 and repealed effective 12/31/2019.	Inputs to Tangible Products	Not listed in '22-'23 MSTER.	Not listed in '22-'23 MSTER.	36 MRS §1760.9-H	Repealed by PL 2015 c.267 Pt KKKK §1, effective from 12/31/2019. Scheduled for review in 2021. Proposal: remove from "Category B - Expedited Review".
191	Non-profit youth camps	Sales tax exemption for purchases by nonprofit youth camps as defined in Title 22, section 2491, subsection 16 that are licensed by the Department of Health and Human Services and receive an exemption from property tax under section 652, subsection 1.	Charitable - Youth	\$76,000	\$77,900	36 MRS §1760(103)	Enacted by PL 2019, c. 550, §1. Proposal: add to "Category B - Expedited Review" and scheduled for review in 2025.
193	Non-profit world-wide, charitable organizations	Sales tax exemption for a nonprofit community-based worldwide charitable organization that, using private funding, provides financial support to other nonprofit charitable organizations at the community level, including, but not limited to, food banks and homeless or domestic violence shelters, to improve health and education and strengthen financial stability.	Charitable - Other	\$205,500	\$211,600	36 MRS §1760(103)	Enacted by P.L. 2019, c. 552, §1. Proposal: Add to "Category B - Expedited Review" and schedule for review in 2024.

**1. Proposed adjustments to tax expenditure review category assignments  
Presented to the Government Oversight Committee on March 12, 2021**

Note: OPEGA reviewed the Bill and Enacted Law Summaries produced by OPLA for relevant Committees, along with other resources, to catalogue new, repealed or modified tax expenditures from statutory changes in 2020. The statutory changes that create or repeal tax expenditures are listed below. There were no modifications that indicate changes to the review category of any existing expenditures.

<b>ID #</b>	<b>Expenditure Program Name</b>	<b>Brief Description</b>	<b>Tax policy goal</b>	<b>Revenue Loss Estimate</b>	<b>Revenue Loss Estimate</b>	<b>Statutory Cite:</b>	<b>Proposed adjustment</b>
<b>Recommended changes to Category C - No Review</b>							
186	ABLE Savings Account subtraction modification	For tax years beginning on or after Jan 1, 2020, earnings on funds held in qualified Achieving Better Life Experience (ABLE) accounts are deductible in calculating Maine taxable income.	Non-Business Incentive - Health & Safety	Not listed in '22-'23 MSTER.	Not listed in '22-'23 MSTER.	36 MRS §5122(2)(QQ)	Enacted by PL 2019, c. 348 §§1-3. Proposal: Add to Category C - No Review.
187	FAME "COVID-19" Loan Guarantee Program	The FAME loan guarantee program enacted by PL 2019, c. 617, Pt. I §2 (10 MRSA §§1100-BB through 1100-GG) includes a subsection which makes deferred or cancelled interest exempt from all State taxes.	Tax Relief - Individuals	Not listed in '22-'23 MSTER.	Not listed in '22-'23 MSTER.	10 MRS §1100-DD(6)	Enacted by PL 2019, c. 617, Pt. I, § 2 Proposal: Add to Category C - No Review.
188	Credit for Biofuel Commercial Production	A taxpayer engaged in the production of biofuels in the State who has received certification is allowed a credit against the tax imposed on income from the production of biofuel in the amount of 5¢ per gallon of liquid biofuel or gaseous biofuel with a BTU equivalent to that of one gallon of gasoline that replaces the use of petroleum or liquid fuels derived from other fossil carbon sources. For tax years beginning on or after Jan 1, 2020 this credit is reinstated.	Business Incentive - Targeted Industry	\$0 - \$50,000	\$0 - \$50,000	36 MRS §5219-X(5)	Reinstated by PL 2019, c. 628, § 2. Proposal: Add to Category C - No Review.
190	Renewable Chemicals Tax Credit	Taxpayer engaged in production of renewable chemicals in Maine may claim a credit 8¢ per pound of renewable chemicals produced. Credit may only be used to reduce the Maine tax imposed on income derived from production of renewable chemicals. Includes employment restrictions on contractors hired or retained to harvest renewable biomass used in production of renewable chemicals.	Business Incentive - Targeted Industry	\$47,500	\$95,000	36 MRS §5219-XX	Enacted by PL 2019, c. 628, §3. Proposal: Add to Category C - No Review.
192	Pet food assistance programs	Sales tax exemption for an incorporated nonprofit organization organized for the purpose of providing food or other supplies intended for pets at no charge to owners of those pets.	Charitable	\$5,400	\$5,550	36 MRS §1760(103)	PL 2019, c. 551, §1. Proposal: Add to Category C - No Review.

**2. Category B - Expedited Review by Taxation Committee**  
**List of broad tax policy goals, noting proposed changes**  
**Presented to the Government Oversight Committee on March 12, 2021**

Review year	Tax policy goal/rationale	Adjustments
<b>Cycle 1</b>		
2021	(1) Conformity with Internal Revenue Code (2) Exemptions for Inputs to Tangible Products	Removed: Fuel Used in Certain Agricultural Production
<b>Cycle 2</b>		
2022	Necessity of Life Exemptions	
2023	Tax Fairness Exemptions	
2024	(1) Specific Policy Goal/Manage Exemptions (2) Charitable Exemptions (1st half)	Added: Non-profit world-wide, charitable organizations
2025	Charitable Exemptions (2nd half)	Added: Non-profit youth camps
2026	Interstate and Foreign Commerce Exemptions	
2027	(1) Conformity with IRC (2) Exemptions for Inputs to Tangible Products	





**3. Category A - Full Review by OPEGA**  
**List of in progress and future evaluations**  
**Presented to the Government Oversight Committee on March 12, 2021**

NOTE: The list below of future evaluations are grouped by broad tax policy goals and appear in priority order as set/endorsed by previous Committees. The cycle of reviews re-starts with those tax expenditures listed under the "completed reviews" section.

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
<b>IN PROGRESS</b>							
4	Maine Seed Capital Tax Credit (Progress: In fieldwork)	Tax credit of up to 50% for capital investment in eligible businesses (including manufacturing, value-added natural resource enterprises, export businesses, advanced technology, and visual media production), with limitations.	Income	Credit	\$6,900,000	\$8,400,000	36 MRS §5216-B & 10 MRS §1100-T
6	Credit for Rehabilitation of Historic Properties (Progress: In preliminary research)	Income tax credit for expenditures in rehabilitation of certified historic properties, with limitations. Fiscal impact is expected to increase \$1.4 million in FY17 and perhaps more in future years as a result of recently enacted legislation. Tied to federal credit.	Income	Credit	\$8,950,000	\$9,200,000	36 MRS §5219-BB
3	Research Expense Tax Credit (Progress: In preliminary research)	Tax credit for qualified research expenses associated with certain technological and experimental research, with limitations. 15 year carry forward.	Income	Credit	\$1,650,000	\$2,180,000	36 MRS §5219-K
<b>FUTURE EVALUATIONS</b>							
<b>Policy group: Business Incentive - Targeted Industry</b>							
171	Shipbuilding Facility Credit	Nonrefundable income tax credit for 15 years (from tax years beginning on or after January 1, 2020) for major investments in a shipbuilding facility when criteria are met. Requires the credit to be reviewed by 2024 by OPEGA.	Income	Deduction	\$2,850,000	\$2,850,000	36 MRS §5219-RR
5	Tax Benefits for Media Production Companies	Tax credit (5% of nonwage production expenses, if >\$75,000) and reimbursement (12% of production wages) for certified productions of visual media production companies.	Income	Credit	\$150,000	\$150,000	36 MRS §5219-Y, 6902

**3. Category A - Full Review by OPEGA**  
**List of in progress and future evaluations**  
**Presented to the Government Oversight Committee on March 12, 2021**

NOTE: The list below of future evaluations are grouped by broad tax policy goals and appear in priority order as set/endorsed by previous Committees. The cycle of reviews re-starts with those tax expenditures listed under the "completed reviews" section.

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
185	Major Food Processing & Manufacturing Facilities Expansion Credit	Refundable income tax credit for construction or expansion of a qualifying food processing and manufacturing facility in Maine. Credit amount is equal to 1.8% of the taxpayer's qualified investment.	Income	Credit	\$0	\$1,111,500	36 MRS §5219-VV
14	Deduction for Contributions to Capital Construction Funds for maintenance or replacement of fishing vessels	Deduction for contributions to a capital construction fund for maintenance or replacement of fishing vessels.	Income	Deduction	\$520,000	\$520,000	36 MRS §5122.2.I
<b>Policy group: Non-business incentives (various)</b>							
16	Credit for Educational Opportunity	Tax credit for certain educational loan payments made by participants in the Job Creation Through Educational Opportunity Program and their employers; participants must be residents who remain in Maine after obtaining a degree here.	Income	Credit	\$41,500,000	\$47,900,000	36 MRS §5217-D
172	Employer credit for family and medical leave	Tax credit (for tax years beginning in 2018 and 2019) under the income tax and insurance premium tax equal to the federal credit for employer-paid family and medical leave. The credit is nonrefundable.	Income	Credit	\$40,000	\$0	36 MRS §5219-UU & 2536
19	Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax	Individual income tax deduction for interest or dividends on securities issued by the State and its political subdivisions.	Income	Deduction	\$45,000	\$40,000	36 MRS §5122.2.N

**3. Category A - Full Review by OPEGA**  
**List of in progress and future evaluations**  
**Presented to the Government Oversight Committee on March 12, 2021**

NOTE: The list below of future evaluations are grouped by broad tax policy goals and appear in priority order as set/endorsed by previous Committees. The cycle of reviews re-starts with those tax expenditures listed under the "completed reviews" section.

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
20	Deduction for Interest and Dividends on U.S., Maine State and Local Securities	Corporate income tax deduction for interest or dividends on securities issued by the State and its political subdivisions.	Income	Deduction	\$20,000 - \$100,000	\$20,000 - \$100,000	36 MRS §5200-A.2.A & §5200-A.2.K
18	Earned Income Credit	Tax credit equal a percentage of the federal earned income tax credit (EITC) received that year; EITC is a credit for individuals who have earned income under a certain limit. Note: The estimate is net of the transfer of TANF funds that partially offsets the General Fund loss. Without this transfer, the General Fund revenue loss would be approximately \$24.7 million in FY22 and FY23.	Income	Credit	\$16,630,000	\$16,630,000	36 MRS §5219-S
<b>Policy Group: Tax relief - individuals</b>							
37	Additional Standard Deduction for the Blind and Elderly	Additional \$1,550 standard deduction if single, or \$1,250 if married available to taxpayers who are blind beginning in tax year 2016.	Income	Deduction	\$10,400,000	\$10,900,000	36 MRS §5124-A
29	Income Tax Credit for Child & Dependent Care Expense	Tax credit for child and dependent care expenses in the amount of 25% of the federal tax credit; the credit doubles for expenses incurred for quality child care services. Max of \$500.	Income	Credit	\$4,150,000	\$4,150,000	36 MRS §5218
30	Deduction for Pension Income & IRA Distributions	Deduction for pension benefits received under employee retirement plans and taxable distributions from individual retirement accounts, up to \$10,000.	Income	Deduction	\$31,200,000	\$31,600,000	36 MRS §5122.2.M
31	Deduction for Social Security Benefits Taxable at Federal	Deduction for social security benefits and railroad retirement benefits.	Income	Deduction	\$110,200,000	\$119,600,000	36 MRS §5122.2.C
32	Property Tax Fairness Credit	Property tax credit for Maine residents based on a formula, not to exceed \$600 for those under 65 years of age, or \$900 for those over 65, with income limitations.	Property	Credit	\$35,350,000	\$35,350,000	36 MRS §5219-KK

**3. Category A - Full Review by OPEGA**  
**List of in progress and future evaluations**  
**Presented to the Government Oversight Committee on March 12, 2021**

NOTE: The list below of future evaluations are grouped by broad tax policy goals and appear in priority order as set/endorsed by previous Committees. The cycle of reviews re-starts with those tax expenditures listed under the "completed reviews" section.

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
27	Sales Tax Fairness Credit	Tax credit to provide sales tax relief to low and middle income families.	Income	Credit	\$23,800,000	\$23,500,000	36 MRS §5213-A & §5403.5
<b>Policy Group: Tax Relief - Targeted Industry</b>							
33	Railroad Track Materials	Tax exemption on sales of railroad track materials for installation on railroad lines within the State.	Sales & Use	Exemption	\$670,000	\$680,000	36 MRS §1760.52
34	Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	Refund of sales tax paid on purchases of parts and supplies for use for operation, repair or maintenance of a windjammer providing commercial cruises.	Sales & Use	Refund	\$50,000 - \$249,999	\$50,000 - \$249,999	36 MRS §2020
36	Certain Telecommunications Services	Tax exemption on sales of interstate and international telecommunications services.	Service Provider	Exemption	\$1,000,000 - \$2,999,999	\$1,000,000 - \$2,999,999	36 MRS §2557.33 & 2557.34
<b>Policy Group: Specific Policy Goal/Mandate</b>							
189	<b>Credit for Affordable Housing (NEW)</b>	Taxpayer receiving a tax credit certificate from MSHA for an affordable housing project located in Maine, may claim a refundable tax credit for that taxable year. Credit is equal to either (1) the total federal low-income housing tax credit claimed under IRC section 42 using entire federal credit period for all buildings in a qualified Maine project, or (2) an amount equal to the lesser of \$500,000 or 50% of the qualified basis of an affordable housing project that incurs at least \$100K includable in eligible basis in construction or rehabilitation of an affordable housing project for which IRC section 42 is not claimed.	Income	Credit	\$8,645,000	\$9,500,000	36 MRS §5219-WW
154	Partial Cigarette Stamp Tax Exemption for Licensed Distributors	Allows licensed cigarette distributors to purchase cigarette stamps with a face value of \$2 at a discount of 1.15%. (General Fund)	Other	Exemption	\$1,347,621	\$1,320,665	36 MRS §4366-A.2

**3. Category A - Full Review by OPEGA**  
**List of in progress and future evaluations**  
**Presented to the Government Oversight Committee on March 12, 2021**

NOTE: The list below of future evaluations are grouped by broad tax policy goals and appear in priority order as set/endorsed by previous Committees. The cycle of reviews re-starts with those tax expenditures listed under the "completed reviews" section.

ID #	Expenditure Program Name	Brief Description	Tax Type	Expenditure Type	FY22 Revenue Loss Estimate	FY23 Revenue Loss Estimate	Statutory Cite
155	Air & Water Pollution Control Facilities	Tax exemption on sales of certified air and water pollution control facilities and parts or accessories, construction materials, and chemicals or supplies of these facilities.	Sales & Use	Exemption	\$500,000 - \$1,999,998	\$500,000 - \$1,999,998	36 MRS §1760.29 & §1760.30
<b>Policy Group: Administrative Burden</b>							
165	Sales Through Coin Operated Vending Machines	Tax exemption on sales of certain products through vending machines by retailers who make the majority of their sales via vending machines.	Sales & Use	Exemption	\$1,000,000	\$1,000,000	36 MRS §1760.34

**Completed reviews**

NOTE: After the full cycle of Category A (full reviews) is completed, the cycle starts again, using the following list of completed evaluations.

Expenditure Program Name	Report year
New Markets Capital Investment Credit	2017
Pine Tree Development Zones	2017
Major Business Headquarters Expansion	2017*
Employment Tax Increment Financing	2019
Reimbursement For Business Equipment Tax Exemption to Municipalities (BETE)	2020
Reimbursement for Taxes Paid on Certain Business Property (BETR)	2020
Maine Capital Investment Credit	2020
Pine Tree Development Zones	2020*

\*Limited scope review

