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Research Expense Tax Credit – Evaluation Parameters

Approved May 14, 2021

At its meeting on April 23, 2021, the Government Oversight Committee (GOC) considered proposed evaluation parameters for OPEGA’s full evaluation of the Research Expense Tax Credit and invited stakeholder input. On May 14, 2021, the GOC voted to approve the following evaluation parameters, pursuant to 3 MRSA §999(1)(A).

Purposes, Intent or Goals of the Credit
<ul style="list-style-type: none"> (1) To stimulate R&D investment; (2) To create high-quality jobs by encouraging investments in R&D and to encourage the recruitment and training of employees; and (3) To improve the overall economy of the State by expanding the number of businesses conducting and investing in R&D.
Intended Beneficiaries of the Credit
<ul style="list-style-type: none"> (1) Businesses conducting/investing in R&D; and (2) Indirectly, qualified organizations performing contracted R&D.
Evaluation Objectives*
<ul style="list-style-type: none"> (a) The fiscal impact of the tax expenditure, including past and estimated future impacts; (b) The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; (c) The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits; (d) The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; (e) The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states; (f) The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; (g) The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative;

(h) The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and

(i) Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.

Performance Measures

(1) Tax credits claimed (\$);

(2) State budget impact (revenue loss and net impacts) (\$);

(3) Number, location and income of employees added or retained;

(4) Number and amount of R&D investments made by credit recipients; and

(5) Measures of direct and indirect improvement in the state economy.

*Evaluation Objectives: Each objective will be addressed to the extent that is warranted and practical based on our assessment of: the availability of the necessary data; the level of resources required/available; and the relevance of the particular objective to the tax credit.