

**Full Evaluation of Tax Expenditures:  
Deduction for Contributions to Capital Construction Funds for Maintenance or Replacement  
of Fishing Vessels  
Background Presented to the Government Oversight Committee on June 15, 2022**

Enacted	Statute(s)	Taxpayers Affected	Est. Revenue Loss
1996	36 MRSA §5122-(2)(I)	Approximately 30 taxpayers	FY22 \$520,000 FY23 \$520,000

*Sources: Maine Revised Statutes and Maine State Tax Expenditure Report 2022 – 2023.*

**Description**

This tax expenditure is an income tax deduction for contributions to a capital construction fund (CCF) for maintenance or replacement of fishing vessels. This deduction is available only to individual and fiduciary taxpayers and allows fisherman to construct, reconstruct or acquire commercial fishing vessels with pre-tax dollars.<sup>1</sup> It mirrors the same deduction in the federal tax code.

**Administration & Reporting**

Maine Revenue Services (MRS) administers this deduction through the processing of State income taxes. No other state agencies are involved in administering the deduction.

No reporting specific to this deduction is required under statute. However, information about the estimated revenue loss connected with the deduction, and the estimated number of taxpayers affected by the deduction, is included in the MRS biennial Maine State Tax Expenditure Report.

**Legislative Activity**

There have been no substantive statutory changes to this deduction since its enactment, and there are no proposed changes before the current Legislature.

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<sup>1</sup> See “Capital Construction Fund Frequently Asked Questions” from the NOAA National Marine Fisheries Service ([https://media.fisheries.noaa.gov/dam-migration/capital-construction-fund-frequently-asked-questions\\_508c.pdf](https://media.fisheries.noaa.gov/dam-migration/capital-construction-fund-frequently-asked-questions_508c.pdf)). This deduction essentially allows fishermen to defer taxable income from operation of their fishing vessels. Instead of being captured when the income is earned, incomes taxes deferred via this deduction are captured in the future, in lieu of depreciation, when CCF dollars are used to fund capital investments in fishing vessels.