Full Evaluation: Credit for Major Business Headquarters Expansion
Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS 5219-QQ
Enactment: 2017
Sunset: Qualified investments must have been made by December 31, 2022
GF Revenue Loss Estimate: $760,000 FY24; $760,000 FY25
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: 1 taxpayer

- This is a refundable income tax credit available to major businesses that expand or locate their headquarters in Maine and hire the required number of new employees.

- The credit is claimed over a period of 20 years, with the annual available credit equal to 2% of the qualified investment.

- Qualifying investment must be at least $35M to design, permit, construct, modify, equip or expand the applicant's headquarters in the State, and must have been made before December 31, 2022.

- Eligible business must meet certain requirements including:
  - at least 5,000 employees worldwide and at least 25% are, or will be, based in the State;
  - headquarters are, or will be, in the State; and
  - business locations in at least 3 other states or foreign countries.

- Businesses must meet employment targets for each year the credit is claimed.

- The total credit for each certificate may not exceed $16M. Qualifying investment is capped at $40M per certificate and $100M for all certificates.

Proposed Evaluation Parameters

To guide each full tax expenditure evaluation, 3 MRS §999 requires that the Government Oversight Committee approve:

(1) the purpose, intents or goals of the tax expenditure;
(2) the intended beneficiaries of the tax expenditure;
(3) the evaluation objectives; and
(4) performance measures appropriate for analyzing the evaluation objectives.

The following table includes OPEGA's proposal, relative to these four statutory evaluation parameters, for the Government Oversight Committee's consideration.

Purposes, Intents or Goals (36 MRS §5219-QQ(5))
1. To create and retain high-quality jobs in the State by encouraging major businesses to locate their headquarters in the State or to expand their headquarters in the State.
Intended Beneficiaries (derived from statutory purposes)
<u>Directly:</u> major businesses locating or expanding their headquarters in Maine <u>Indirectly:</u> job seekers
Evaluation Objectives (3 MRS §999)
1. The fiscal impact of the tax expenditure, including past and estimated future impacts; 2. 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; 3. 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; 4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; 5. 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; 6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; 7. 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; 8. 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 9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.
Performance Measures (36 MRS §5219-QQ(5))
1. The number of additional full-time employees added during a period being reviewed and how employment during that period compares to the minimum employment requirements; 2. The amount of qualified investment during a period being reviewed, and how expenditures compare to the minimum level of expenditure required; 3. The change in the number of major business headquarters located in the State and the number of expansions of those headquarters during a period being reviewed; 4. Measures of fiscal impact and overall economic impact to the State; and 5. The number of new employees for whom health benefits and retirement benefits are available.