

# Full Evaluation: Credit for Paper Manufacturing Facility Investment Background and Proposed Evaluation Parameters

## Background

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**Statutory Reference:** 36 MRS §5219-YY

**Enactment:** 2021(claimable starting tax year 2024)

**Sunset:** Qualifying investments must have been made by December 31, 2023

**GF Revenue Loss Estimate:** \$0 FY24; \$0 FY25 (MRS notes credit claims are likely to begin in FY26)

**Administering Agency:** Joint DECD and MRS

**Taxpayers Impacted:** Unknown at this time

- This is a refundable income tax credit for paper manufacturers that make expenditures of at least \$15M to design, permit, build, rebuild, modify, replace, repair or acquire equipment to modernize or improve a paper manufacturing facility.
- The credit is claimed over a period of 10 years, with the annual available credit equal to 4% of the qualified investment.
- Investment dates must be between January 1, 2019 and December 31, 2023.
- Eligible businesses must meet certain requirements including:
  - location in a county with an unemployment rate at least 20% higher than the state average;
  - at least 400 employees, at least 75% of whom earn at least 115% of county per capita personal income. Employees must also be qualified employees who are offered certain retirement and health insurance benefits;
  - cannot also claim ETIF or PTDZ benefits; and
  - facilities are not located in a low-income community nor receiving a qualified low-income community investment.
- A credit is not allowed to any person for any tax year during which the headquarters of the certified applicant are not located in the State.
- Cumulative credits for all certified applicants may not exceed \$1.6M per year and \$16M in total.

## Proposed Evaluation Parameters

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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.

<p><b>Purposes, Intent or Goals</b> (36 MRS §5219-YY(6))</p>
<p>1. To provide incentives for the revitalization of paper manufacturing facilities in counties with high unemployment and to create or retain high-quality jobs in the State by encouraging paper manufacturers to modernize their paper manufacturing equipment to better compete in the marketplace.</p>
<p><b>Intended Beneficiaries</b> (derived from statutory purposes)</p>
<p><u>Directly</u>: businesses making investments in paper manufacturing facilities in counties with high unemployment</p> <p><u>Indirectly</u>: job seekers</p>
<p><b>Evaluation Objectives</b> (3 MRS §999)</p>
<ol style="list-style-type: none"> <li>1. The fiscal impact of the tax expenditure, including past and estimated future impacts;</li> <li>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;</li> <li>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;</li> <li>4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries;</li> <li>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;</li> <li>6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective;</li> <li>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;</li> <li>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</li> <li>9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.</li> </ol>
<p><b>Performance Measures</b> (36 MRS §5219-YY(6))</p>
<ol style="list-style-type: none"> <li>1. Number of qualified employees added or retained during the period being reviewed, and comparison to minimum employment requirements;</li> <li>2. Amount of qualified investment during the period being reviewed, and comparison to the minimum investment requirements;</li> <li>3. The increase in the vitality and competitiveness of the State's paper industry in the marketplace;</li> <li>4. The change in the number of paper manufacturers and machinery used for the production of paper products located in the State and the number of modernization projects undertaken at those paper manufacturing facilities during the period being reviewed; and</li> <li>5. Measures of fiscal impact and overall economic impact to the State and to the regions in which certified applicants are located.</li> </ol>