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State of Maine
 ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE
 COMMITTEE ON TAXATION

Meeting Summary – November 9, 2011

The Joint Standing Committee on Taxation held its third interim meeting on November 9, 2011. The subcommittee on tax reform met prior to the committee meeting, which convened shortly after 11:00. The Committee gave introductions. The agenda was taken out of order with the discussion of tax expenditures first followed by an update from the subcommittee regarding the restructuring of State tax laws. After the Committee took a break for lunch the Committee reviewed carryover bills.

Highlights related to tax expenditures review

- The Committee reviewed a draft bill for evaluating legislation or legislative initiatives that come before the Committee proposing new tax expenditures. (See Attachment A.)
- The Committee discussed changes to the draft bill that would provide a process for legislation proposing new tax expenditures that is referred to other policy committees to receive an advisory review from the Taxation Committee. The need to have this in the Joint Rules will also be researched by the analyst.
- The Committee voted to approve the bill with these changes and it will be reviewed at the next Committee meeting after the Legislature convenes in January.
- The Committee also discussed legislation for reviewing current expenditures and decided to do this under the current legislation authority.
- The Committee directed the Taxation Committee analyst to work in tax expenditure reviews into the calendar next session.

Highlights related to update from subcommittee on restructuring tax laws

- The chair of the subcommittee (Sen Woodbury) provided update on the last of the 5 small group discussions that the subcommittee organized. (For more information on the subcommittee meetings go to: www.maine.gov/legis/ofpr/taxation_committee/interim_schedule.)
- The subcommittee chair stated that there has been a great deal of discussion about process and it seems clear that the timing isn't right for comprehensive reform.
- It was noted that three members of the subcommittee have not met to talk about how they want to proceed and it was suggested that there may be more discussion during the next session.
- Other members of the Committee expressed a continued interest and there was discussion of opportunities in the budget, looking a more long term process and exploring ways to impart the information learned to future Legislatures. It was noted that with a new Senate Chair coming on board, there may be other priorities and options to consider.

Highlights related to review of carry over bills

- The Committee reviewed the remaining carryover bills.
- The carryover bill worksheet (Attachment B) provides action taken to date.

Wrap-up

The Joint Standing Committee on Taxation held 4 meetings during the interim. The Committee:

- developed principles for taxation in Maine;
- held subcommittee discussion with outside experts on restructuring Maine's tax laws, agreed that the time may not be right for comprehensive tax reform but the Committee may have further discussion of a process for continued work on tax laws next session;
- voted to finalize a Committee bill that creates a process to review proposals for new or expanded tax expenditures that come before the Committee on a prospective basis and
- agreed to use current legislative authority for a review process of current tax expenditures next session; and
- voted 2 of the 12 carryover bills, assigned leads to the others and received updates on work needed on the bills to be able to vote.

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DRAFT COMMITTEE BILL
Revised for review 11/9/11
(Pursuant to authority granted under 36 MRSA §199-D)

Revisions since the last review by the Committee on 10/12/11 appear in different font

LA: EFC

File Name: g:\taxcmt\125th\interim meetings\legislation\new tax expenditures revised.doc

LR (item)#:

Date revised: November 9, 2011

Title: An Act To Require the Review of Proposed Tax Expenditures

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA § 199-C, as enacted by PL 2011, c. 652, §7, is amended to read:

36 §199-C. REVIEW

The committee shall conduct the following reviews according to the following schedule and shall review the factors identified in subsection 3 before enacting legislation or recommending a legislative initiative that results in a reduction of tax revenue arising from a special exclusion, exemption, deduction, credit, preferential tax rate or deferral of tax liability.

1. Odd-numbered years. During each odd-numbered year the committee may review the report required under section 199-B.

2. Even-numbered years. During each even-numbered year the committee may review current issues of tax policy.

A. During each second regular session, the committee shall identify areas of tax policy for review during the period between the end of the second regular session and the first regular session of the next Legislature.

B. The committee may review:

- (1) Issues of tax policy related to tax expenditures identified in its review under subsection 1;
- (2) Issues related to the overall structure of the State's tax laws and the relative tax burdens on various classes of taxpayers;
- (3) The impact of the State's tax structure on taxpayer behavior, including incentives and disincentives to reside or locate businesses in the State;
- (4) Issues identified by the committee that require more detailed review than is possible during a regular session of the Legislature; or
- (5) Any other tax policy issue identified by the committee as needing legislative review.

3. New or expanded tax expenditures. Whenever legislation or a legislative initiative proposes a new tax expenditure or proposes a change that extends or expands an existing tax expenditure, the committee shall, to the extent that the information is available,

consider the following when evaluating whether the tax expenditure should be enacted, extended or expanded:

A. The classes of individuals, types of organizations, or types of industries whose state tax liabilities are directly affected by the tax expenditure as well as the number of taxpayers affected;

B. Public policy objectives that provide a justification for the tax expenditure, including but not limited, to the extent to which the tax expenditure ~~encourages business growth, attracts business or promotes the growth or retention of high wage jobs.~~ *attracts business, encourages local investment and spending, or has a significant statewide impact on quality of life or social goals.*

C. Projections of the fiscal impact of the tax expenditure , any necessary explanation of state revenue loss and whether there is any proposal to offset revenue loss;

D. The general effects the tax expenditure may have on consumption and spending patterns as well as the overall state economy;

F. Unintended benefits or negative consequences the tax expenditure may have on an individual, organization, or industry other than those the Legislature intended;

G. Similar tax expenditures adopted in other states, and potential competitive benefits that might be gained by enacting the tax expenditure;

H. Standards for accountability or reporting requirements for the recipient of the tax expenditure and the extent to which the standards and reporting are included in the proposal;

I. Methods for evaluating the tax expenditure, the availability of data, the cost of data collection and analysis for the evaluation of the tax expenditure, and the extent to which a process for evaluation of the tax expenditure is included in the proposal;

J. The administrative ease of adjusting or recapturing the tax expenditure if the objectives are not fulfilled and whether a mechanism for such is included in proposal for the tax expenditure; and

K. A process for a sunset review of the tax expenditure and whether the tax expenditure proposal ~~includes~~ *should include* a scheduled sunset review and or an expiration *date* without a sunset review

Summary

This bill creates a review process to be performed by the Joint Standing Committee on Taxation prior enacting legislation or recommending a legislative initiative that would result in a new tax expenditure or proposes a change that extends or expands an existing tax expenditure. The bill requires the committee to consider the groups and numbers of taxpayers affected, the public policy that provides justification for the proposed tax expenditure, fiscal impact projections related to the proposed tax expenditure, effects the proposed tax expenditure may have on the economy, unintended benefits or negative consequences of the proposed tax expenditure, similar tax expenditures in other states, standards of accountability or reporting related to the proposed tax expenditure, methods for evaluating the proposed tax expenditure, mechanisms for recapturing the proposed tax expenditure if objectives are not fulfilled and whether a sunset review process should be included for the proposed tax expenditure.

Taxation Committee Carryover Bills

Status as of: 1/23/2013

LD	Title	Sponsor	PH	Last WS	Issues/Analysis/ Comments	Who/Cmt Lead Follow up needed	Work Sessions/ Action/Vote
52	An Act To Dedicate a Percentage of the Sales and Use Tax on Motor Vehicles and Motor Vehicle Parts to the Highway Fund	CEBRA	2/15	3/14	Majority voted CO; goal to identify additional/alternative funding sources for HF	Rep Harmon - update 10/12 - further discussion with sponsor needed	
234	An Act To Provide a Sales Tax Exemption to Commercial Horticulturists	HARVELL	3/25	4/14	Unanimous OTP; Recommitted to Taxation Committee from the Appropriations Committee; may need to consider alternative funding sources or ways to make revenue neutral	Sen Trahan and Rep Harmon; will speak with sponsor and others. Is there a possibility of including in budget?	
305	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow Land and Buildings To Be Assessed Differently	CHIPMAN	4/29	5/11	Constitutional issues related to property tax policy in the assessment of land and buildings; need to examine issues re: Art IX, Sec 8 and 9.	10/12 - request to table; Rep Berry - contact sponsor to find out status/progress	
590	An Act To Require Review of Certain Changes to Sales Tax Policy Application or Practice prior to Implementation	CHASE	3/11	5/11	A workgroup met during Session to work this bill. Committee voted to CO bill on 5/4 and then reconsidered on 5/9 and tabled. Voted a majority and minority report of OTPA/OTPA on 5/11. The majority report was amended in the House and sent to Appropriations Table in the Senate. AFA recommitted to Taxation Committee to be carried over; may need to consider alternative funding sources or ways to reduce or offset revenue impact.	Rep Bennett - update 10/12 - further discussion with sponsor about alternatives/next steps; Rep Bickford requested explanation of fiscal note.	
835	An Act To Strengthen Maine's Economy through Improvements to the Educational Opportunity Tax Credit	KNIGHT	4/6	4/15	Originally voted out of Committee OTPA/ONTP. Went to floor and committed back to Committee 5/26. Issues raised related to the promotion of this tax credit on school campuses as well as issues related funding. There is a report dated 2/16/11 submitted pursuant to PL 2009, c 533. Sec A-18.	Sen Woodbury and Rep Knight (sponsor) - update 10/12 - continued work needed with interested parties.	
849	An Act To Provide Tax Relief for Maine's Citizens	TRAHAN	3/31	5/4	Originally voted OTPA/ONTP/OTPA. Majority report accepted on floor and sent to Appropriations Table. AFA recommitted to Taxation Committee to be carried over.	Sen Trahan - update 10/12 - keep bill for possible tax reform legislation.	
876	An Act To Convert Vacant Commercial Property to Occupied Commercial Property	BENNETT	4/25	5/2	Unanimous vote to carry over. Sponsor needs more time to develop concept draft regarding tax policy impact on real estate decisions related to commercial properties.		9/7/11 ONTP
1138	An Act To Prevent Unnecessary Expulsion of Landowners from the Maine Tree Growth Tax Law Program	KNIGHT	4/29	5/5	Committee voted to carryover this bill in order to more thoroughly review the Tree Growth Tax Law policy and issues that have been raised related to the bill. There have been reports and past changes in legislation that the Committee may want to review in working this bill.	Rep Harmon - update 10/12 - continue information gathering	

Taxation Committee Carryover Bills

Status as of: 1/23/2013

LD	Title	Sponsor	PH	Last WS	Issues/Analysis/ Comments	Who/Cmt Lead Follow up needed	Work Sessions/ Action/Vote
1164	An Act To Support Maine Farms and Alleviate Hunger	DION	4/25	5/6	The Committee originally voted ONTP/OTPA on 5/3 and reconsidered on 5/6 voting to carry over. There was discussion of how this might dovetail with an effort to provide incentives to farmers to refrain from shooting deer that damage crops.	Rep Berry and Rep Harmon	
1225	An Act To Create an Income Tax Return Check-off To Fund Cancer Screening, Detection and Prevention	STRANG BURGESS	4/27	5/4	Committee voted to carryover this bill in order to develop a standardized process for evaluating income tax return checkoff requests. There was discussion during a separate work session on a library check off bill (ONTP) about developing standard criteria rather than the "first come first serve" or evaluation on a case by case basis.	Update 10/12 - Tabled until next meeting when full Committee can review proposed minority amendment and possible alternatives. As proposed at Sept 7th meeting the minority amendment would remove political parties; beginning 2015 and every 10 years thereafter review check offs and drop the 3 that have the smallest number of donations (not dollar amount) to make room for new ones proposed by legislation. The check off for cancer prevention and libraries should be added in 2015 within extra space created by removal of political parties.	9/7/11 ONTP/OTPA
1470	An Act To Ensure Harvesting of Timber on Land Taxed under the Maine Tree Growth Tax Law	RAYE	---	---	A public hearing has not been held. The Committee wants to review issues that have been raised regarding Tree Growth Tax Law policy and proper use of the program. There are reports available from previous Legislatures that the Committee may want to review that address a wide range of issues including timber harvesting.	Update 10/12 - Rep Harmon recommended no action until bill has PH	
1535	An Act Relating to Fiscal Notes on Proposed Legislation	KNIGHT	5/9	5/11	Unanimous vote to carry over in order to provide legislative and executive branch staff time to identify appropriate methodologies and resources for developing dynamic fiscal notes.	Update 10-12 - Rep Knight - will be meeting with staff from OFPR, MRS and State Planning Office to review how this can be implemented and will report back with any changes that may be needed to legislation	