

**Tax Expenditure Review Task Force  
Monday September 30, 2013**

**Office of Program Evaluation and Government Accountability  
Analysis of Business Related Expenditures with General Fund Impact\***

**Description of Workbook Contents**

<b>Spreadsheet / Tab Name</b>	<b>Description of Information Contained in the Tab</b>
Income and Sales & Use Fiscal (page A1 in print copy)	Totals for Income and Sales & Use tax expenditures by category
Large Business Expenditures (page B1 in print copy)	Listing of Income and Sales & Use business related tax expenditures with greater than \$1 Million FY'15 estimated loss
Undetermined Sales & Use (pages C1-C2 in print copy)	Listing of Sales & Use tax expenditures for which OPEGA considers the rationale to be undetermined
Business Income (pages D1-D3 in print copy)	Listing of business related Income tax expenditures
Business Sales & Use (pages E1-E3 in print copy)	Listing of business related Sales & Use tax expenditures

\*Business related expenditures as selected by OPEGA are: income tax expenditures that benefit corporations or both corporations and individuals; and sales and use tax expenditures with a rationale of economic development, interstate competition or industry competition. Income tax expenditures that benefit business but are assigned to the tax policy principle of conformity with the IRS code are not included.

**Sources of Data and Information Contained in the Spreadsheets/Tabs**

This workbook is the second OPEGA has produced for the Tax Expenditure Review Task Force by OPEGA and draws information from the prior workbook, "Tax Expenditure Table Spreadsheet" found at [http://www.maine.gov/legis/ofpr/studies\\_commissions/TERTF-Materials.htm](http://www.maine.gov/legis/ofpr/studies_commissions/TERTF-Materials.htm). These workbooks were developed based on information provided by Maine Revenue Services and then augmented with further information found in statute, the "Red Book," and the "1997 Report." The "Red Book" referenced in the column headings on each spreadsheet is the Maine State Tax Expenditure Report 2014-2015. The "1997 Report" referenced in the Sales & Use spreadsheet is the 1997 Report to Taxation Committee on Sales Tax Expenditures. An N/A indicates that information was not readily available from one of these sources.

Some of the columns contained in the "Business Income" and "Business Sales & Use" spreadsheets contain interpretive analysis and category assignments as determined by OPEGA based on information in statute or the referenced reports. All columns are marked as such.

The codes for the column "Estimated Revenue Loss FY'15" in the subsequent spreadsheets are as follows:

	<b>Fiscal Amount Coded</b>
A	\$0-\$49,999
B	\$50,000-\$249,999
C	\$250,000-\$999,000
D	\$1,000,000-\$2,999,999
E	\$3,000,000-\$5,999,999
F	\$6,000,000 or more

**Totals for Business Related Tax Expenditure Programs  
with General Fund Impact by Category**

**Income Tax Expenditures**

41 Programs with estimated revenue loss totaling \$205,618,400

<b>Tax Policy Principle</b>	<b>Number of Programs</b>	<b>FY'15 Estimated Revenue Loss</b>
Incentives for Individuals	8	\$4,315,000
Incentives for Corporations	23	\$44,232,750
Double Taxation	3	\$48,480,000
Equity	2	\$40,500,000
Tax Relief	5	\$68,090,650

**Sales & Use Tax Expenditures**

24 Programs with estimated revenue loss totaling \$2,000,365,49:

<b>Rationale</b>	<b>Number of Programs</b>	<b>FY'15 Estimated Revenue Loss</b>
Administrative Burden	3	\$6,074,206
Charitable	35	\$9,399,013
Economic Development	10	\$49,807,312
Industry / Interstate Competition	16	\$134,091,058
Education	7	\$14,631,579
Government	2	\$171,745,988
Necessity of Life	13	\$212,845,182
Pyramiding	5	\$38,928,136
Service Provision	15	\$1,353,674,000
Undetermined	15	\$9,169,020

**Business Related Tax Expenditures with General Fund Impact of  
Greater than \$1 Million for FY'15**

Income Tax Expenditures that Benefit Corporations or Both Corporations and Individuals\*

Program Name	Number of Beneficiaries	FY'15 Estimated Revenue Loss
Employment Tax Increment Financing**	105	\$10,599,000
Credit Rehabilitation of Historic Properties	125	\$7,900,000
New Markets Capital Investment Credit	N/A	\$5,600,000
Credit for Educational Opportunity	575	\$5,210,000
Super Credit for Substantially Increased Research and Development	85	\$4,000,000
Pine Tree Development Zone Tax Credit	70	\$3,300,000
Shipbuilding Facility Tax Credit	fewer than 5	\$2,968,750
Seed Capital Investment Credit	250	\$1,500,000
High Technology Investment Credit	6	\$1,000,000

Sales & Use Tax Expenditures with a Rationale of Economic Development or  
Interstate / Industry Competition

Program Name	Rationale	FY'15 Estimated Revenue Loss
Property Used in Manufacturing Production	Interstate Competition	\$103,770,590
Fuel and Electricity Used in Manufacturing	Economic Development	\$25,699,424
Machinery and Equipment	Economic Development	\$22,778,910
Mobile and Modular Homes	Industry Competition	\$18,271,911
Certain Jet Fuel	Interstate Competition	\$3,207,848
Products Used in Agricultural and Aquacultural Production and Bait	Industry Competition	\$2,926,000
Refund of Sales Tax on Certain Depreciable Machinery and Equipment	Interstate Competition	\$2,849,532
Property Used in Interstate Commerce	Interstate Competition	estimated \$1-3M

\* All of the income tax expenditures that benefit corporations or both corporations and individuals are incentives. There is one additional business related income tax expenditure - Deduction for Dividends Received from Nonunitary Affiliates - which is not listed here because it is constitutionally required, as per MRS.

\*\* All of the incentive income tax expenditures are credits with the exception of: ETIF is a reimbursement; Deduction for Interest and Dividends on US, Maine and Local Securities is a deduction; and Tax Benefits for Media Production Companies is both a credit and a reimbursement.

**Tax Expenditure Programs Impacting General Fund Revenue from Sales & Use Taxes Imposed On Consumers - "Undetermined"**

OPEGA considers the rationale for these programs to be "undetermined" based on either: the absence of a listed rationale in either the Red Book or 1997 Report; or OPEGA's interpretation of the alignment between the stated rationale and the program.

Page in Red Book	Expenditure Program Name	FY'15 Estimated Revenue Loss (Red Book)	Reason for Exemption (Red Book)	Reason for Exemption (1997 Report )	Rationale (1997 Report)
98	Certain Loaner Vehicles	\$241,956	Certain motor vehicle dealers are providing the short-term use of loaner vehicles free of charge to certain service customers pursuant to a manufacturer's warranty	N/A	N/A
101	Certain Vehicles Purchased or Leased by Qualifying Resident Businesses	\$897,251	The vehicles are being purchased or leased by qualifying resident businesses for use outside of this State	N/A	N/A
107	Water Pollution Control Facilities	C	Subsidize the installation of pollution control facilities	Recognizes (1) that the State should not profit through sales taxes from state imposed environmental policy mandates; and (2) exemption provides incentives to business to add these facilities faster than they otherwise might.	Economic Development
108	Air Pollution Control Facilities	C	Subsidize the installation of pollution control facilities	Recognizes (1) that the State should not profit through sales taxes from state imposed environmental policy mandates; and (2) exemption provides incentives to business to add these facilities faster than they otherwise might.	Economic Development
122	Certain Property Purchased Out of State	D	Exempt property that was purchased and used out-of-state before it was brought into this State	Allows "new" Maine residents to move into the state without incurring a use tax liability on their existing possessions.	Administrative Burden
154	Electricity Used for Net Billing	A	No money is paid to the electricity provider or to the transmission and distribution utility	N/A	N/A
155	Animal Waste Storage Facility	A	Subsidize the construction of these facilities through an exemption from the sales tax	N/A	N/A
156	Sales of Property Delivered Outside this State	F	The goods are being shipped to a location outside this State	N/A	N/A
157	Sales of Certain Printed Materials	C	The advertising or promotional materials are being transported outside of this State for use by the purchaser solely outside of this State	N/A	N/A
164	Sales of Tangible Personal Property to Qualified Wind Power Generators	A	Subsidizes the generation of electricity by community wind power generators	N/A	N/A

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166	Certain Sales of Electrical Energy	C	The transactions are between a parent corporation and its wholly owned subsidiary	N/A	N/A
167	Certain Vehicle Rentals	A	The rental fee is included in the warranty	N/A	N/A
168	Plastic Bags Sold to Redemption Centers	\$29,813	Provide funding to organizations through an exemption from the sales tax	N/A	N/A
176	Fish Passage Facilities	A	Provides an incentive for the installation of fish passage facilities	Provides incentives to comply with state policy to ensure fish passage facilities are included in new, reconstructed or redeveloped dams.	Economic Development / Government
177	Reimbursement of Tax to Certain Qualified Wind Power Generators	A	Subsidizes the generation of electricity by community wind power generators	N/A	N/A

utilized.

**Business Related Tax Expenditure Programs Impacting General Fund Revenue from Income Taxes with a Tax Policy Principle other than "Conformity"**

"Business related" includes expenditures that benefit corporations or both corporations and individuals\*

Page in Red Book	Expenditure Program Name	Year Enacted (Statute)	FY'15 Estimated Revenue Loss (Red Book)	Beneficiary Size (Red Book)	Reason(s) for Exemption (Red Book)	Who benefits from the expenditure? (OPEGA Analysis)		What is being encouraged? (OPEGA Analysis)	
						Individual vs. Corporations	Specific Sub-population?	Encouraging What?	Encouraging What Category?
23	Deduction for Interest and Dividends on U.S., Maine State and Local Securities	2001	\$320,000	Approximately 250	Provides an incentive for corporations to invest in federal, Maine state and local obligations	Corporations	N/A	Investment in obligations	Investment
25	Jobs and Investment Tax Credit	1977	C	Fewer than 10	Provides an incentive to businesses to make substantial capital investments in the state	Corporations	Large Business (over \$5M investment or 100 jobs)	Capital Investment	Investment
26	Seed Capital Investment Tax Credit	1987	\$1,500,000	Approximately 250	Provides an incentive for investment in small businesses in Maine	Corporations	N/A	Investment in Small Businesses	Investment / Economic Development
28	Credit for Employer-Assisted Day Care	1987	A	Fewer than 30	Provides an incentive for employers to become more involved in the provision of day care for their employees.	Corporations	N/A	Employer Provided Daycare	Other
30	Credit for Employer-Provided Long-Term Care Benefits	1999	A	Fewer than 5	Provides an incentive to employers to provide their employees with long-term care benefits	Corporations	N/A	Employer Provided Long Term Care Benefits	Health/Care
31	Credit for Educational Opportunity	2007	\$5,210,000	Approximately 575 (estimated to rise in future years)	Provides an incentive to grads of Maine colleges and universities to stay in Maine after graduation and for employers to hire Maine college grads.	Both	Graduates of Maine Colleges / Universities & Employers who Hire Them	Education (retain recent college graduates in ME)	Education
34	Forest Management Planning Income Credits	1989	\$70,000	Approximately 320	Provides an incentive to practice good forest mgmt. by allowing a credit for all or a portion of the cost of the program	Both	Forest Mgmt. Planning Costs	Good Forest Mgmt.	Agriculture / Aquaculture
35	Research Expense Tax Credit	1995	\$850,000	Approximately 85	Provides an incentive to encourage Maine businesses to invest in research and development in Maine	Corporations	Research & Development	Research & Development	Economic Development
36	Super Credit for Substantially Increased Research & Development	1997	\$4,000,000	Approximately 85	Provides an incentive for businesses to substantially increase investment in research and development in Maine	Corporations	Research & Development	Research & Development	Economic Development

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						Individual vs. Corporations	Specific Sub-population?	Encouraging What?	Encouraging What Category?
37	High-Technology Investment Tax Credit	1997	\$1,000,000	Approximately 60	Provides an incentive for businesses to invest in equipment that is used in high-technology business activity	Corporations	High-Technology	Investment	Other
38	Credit for Dependent Health Benefits Paid	1997	A	Fewer than 5	Provides an incentive for small employers to provide health insurance coverage to low-income employees	Corporations	Small Businesses	Employer Provided Healthcare	Health/Care
39	Quality Child Care Investment Credit	1999	A	Approximately 10	Provides an incentive for the provision of quality child care services in Maine	Corporations	Child Care Providers	Quality Child Care	Other
40	Credit for Rehabilitation of Historic Properties	1999	\$7,900,000	Approximately 125	Designed to enlist private funds for the rehabilitation of historic properties	Both	Investors in the rehabilitation of Historic Properties	Rehabilitation of Historic Properties	Other
42	Pine Tree Development Zone Tax Credit	2003	\$3,300,000	Approximately 70	Provides an incentive for economic development in Maine	Corporations	Businesses in Pine Tree Development Zones	Economic Development	Economic Development
43	Biofuel Commercial Production and Commercial Use	2003	A	Fewer than 5	Provides an incentive for the production of biofuels in the state	Corporations	Biofuel	Production of Biofuel	Economic Development
44	Tax Benefits for Media Production Companies	2005	B	Approximately 10	Provides an incentive for media production activity in the state	Corporations	Media Production Companies	Media Production	Economic Development
45	Dental Care Access Credit	2009	\$162,000	Approximately 20	Provides an incentive for dentists to locate their practice in underserved areas of the state	Corporations	Dentists	Dentist in Underserved Areas	Health/Care
46	New Markets Capital Investment Credit	2011	\$5,600,000	N/A	Encourage new investment in economically distressed areas of the State	Corporations	Investors in Economically Depressed Areas of the State	Economic Development	Economic Development

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						Individual vs. Corporations	Specific Sub-population?	Encouraging What?	Encouraging What Category?
47	Credit for Wellness Programs	2011	\$318,000	N/A	Encourage small employers to establish a wellness program	Corporations	Small Businesses (< 20 employees)	Employer Provided Wellness Programs	Health/Care
48	Maine fishery infrastructure investment tax credit	2011	\$135,000	N/A	Encourage investment in and contributions to infrastructure improvements and facilities that enhance the State's fisheries	Both	Fishing	Fishing Infrastructure	Agriculture / Aquaculture
49	Innovation Finance Credit	2009	*	N/A	Encourages MainePERS to invest in innovative businesses	Corporations	Innovative Businesses	Innovative Businesses	Investment / Economic Development
50	Employment Tax Increment Financing, including certain Job Increment Financing Programs**	1995	\$10,599,000	Approximately 105	Provides incentives for businesses to hire new employees with a designated level of wages, health and retirement benefits	Corporations	N/A	Practice of Employment w Set Benefits	Economic Development / Health/Care
52	Shipbuilding Facility Credit	1997	\$2,968,750	Fewer than 5	Encourages major investment in shipbuilding projects in Maine	Corporations	Ship-building	Ship-Building	Other

\* All of the income expenditures that benefit corporations or both corporations and individuals are incentives. There is one additional business related income expenditure - Deduction for Nonunitary Affiliates - which is not listed here because it is constitutionally required, as per MRS.

\*\* All of the incentive income expenditures are credits with the exception of: ETIF is a reimbursement; Deduction for Interest and Dividends on US, Maine and Local Securities is a deduction; and Tax Benefits for Media Production Companies is both a credit and a reimbursement.

**Business Related Tax Expenditure Programs Impacting General Fund Revenue from Sales & Use Taxes Imposed On Consumers:**

"Business Related" includes having a rationale of either economic development, interstate competition or industry competition.

Page in Red Book	Expenditure Program Name	FY'15 Estimated Revenue Loss (Red Book)	Reason for Exemption (Red Book)	Reason for Exemption (1997 Report )	Rationale (1997 Report)	Rationale Category (OPEGA Analysis)
70	Ships Stores	C	The ships are engaged in interstate and / or foreign commerce	If these items are taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business.	Business / Interstate Competition	Interstate Competition
80	Products Used in Agricultural and Aquacultural Production & Bait	\$2,926,000	Provide funding to the agricultural, aquacultural and commercial fishing industries through a sales tax exemption	Recognizes that agriculture and aquaculture are just as important to Maine as manufacturing and good tax policy prohibits taxing the basic components used in these industries.	Industry Competition / Pyramiding	Industry Competition
81	Certain Jet Fuel	\$3,207,848	Fuel is subject to an excise tax when used for domestic flights	If this fuel is taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business.	Business / Interstate Competition	Interstate Competition
83	Fuel Oil for Burning Blueberry Land	A	Provide support for the blueberry industry	Recognizes that this is an important component in production of this major crop	Industry Competition / Pyramiding	Industry Competition
86	Fuel and Electricity Used in Manufacturing	\$25,699,424	Provide an economic development incentive to manufacturer by subsidizing their purchases of fuel and electricity used at manufacturing facilities	Recognizes electricity is a critical component of the manufacturing process and taxing it would only add to the cost of the final product thereby increasing the sales tax due (i.e. a tax on a tax). Many states exempt some or all of the sale of electricity.	Economic Development / pyramiding	Economic Development
100	Certain Vehicles Purchased or Leased by Nonresidents	C	The vehicles are being purchased or leased by nonresidents	If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business.	Interstate Competition	Interstate Competition
103	Watercraft Purchased by Nonresidents	C	Economic Development	If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business.	Interstate Competition	Interstate Competition
104	Snowmobiles & All-terrain Vehicles Purchased by Nonresidents	B	Economic Development	If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business.	Interstate Competition	Interstate Competition
109	Machinery & Equipment	\$22,778,910	Provide an economic development incentive to manufacturer by subsidizing their purchases of machinery and equipment used at manufacturing facilities	Recognizes that machinery and equipment used in manufacturing is just as valuable as components themselves and the exemption enables Maine business to compete.	Economic Development / Pyramiding	Economic Development
110	New Machinery for Experimental Research	B	Provide an economic development incentive by subsidizing the purchase of these goods	Treats machinery and equipment used for research as necessary for the research itself.	Educational	Economic Development

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Page In Red Book	Expenditure Program Name	FY'15 Estimated Revenue Loss (Red Book)	Reason for Exemption (Red Book)	Reason for Exemption (1997 Report)	Rationale (1997 Report)	Rationale Category (OPEGA Analysis)
117	Mobile & Modular Homes	\$18,271,911	Necessity of Life	Allows mobile home builders to compete with on-site home builders on a level playing field.	Necessity / Industry Competition	Industry Competition
118	Property Used in Interstate Commerce	D	Interstate Commerce	If these items are taxed in Maine, purchasers will simply buy and register their vehicles elsewhere, thereby having a negative impact on Maine business. Enables Maine truckers to compete.	Interstate Competition	Interstate Competition
129	Railroad Track Materials	\$361,000	Subsidizes the purchase of track materials	Enables railroads to compete with publicly subsidized trucking industry and encourages improvements in track roadbed.	Interstate Competition	Interstate Competition
146	Sales to State-Chartered Credit Unions	A	Provide state chartered credit unions with the same sales tax exemption that federal chartered credit unions have by federal law	Allows state chartered credit unions to compete on a level playing field with federally chartered credits unions.	Increasing Competition / Industry Competition	Industry Competition
149	Property Used in Manufacturing Production	\$103,770,590	Avoid pyramiding of the sales tax	Enables Maine business to compete. Very few (if any) states tax this type of transaction because good tax policy prohibits taxing at this level. Taxing these sales would only add to the cost of the final product, thereby increasing the sales tax due (i.e. a tax on a tax).	Pyramiding / Interstate Competition	Interstate Competition
151	Certain Aircraft Parts	A	Economic Development	If these items are taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business.	Economic Development / Interstate Competition	Interstate Competition
153	Sales of Certain Farm Animal Bedding & Hay	A	Provide support to farmers by subsidizing the purchase of these items	N/A	N/A	Economic Development
158	Sales to Centers for Innovation	A	Provide funding to organizations through an exemption from the sales tax	N/A	N/A	Economic Development
160	Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes	C	Economic Development (in certain regions in the State)	N/A	N/A	Economic Development
161	Sales of Tangible Personal Property to Qualified Development Zone Businesses	C	Economic Development (in certain regions in the State)	N/A	N/A	Economic Development
162	Sales of Certain Aircraft	\$904,177	Most of these aircraft are in this State for short periods of time	N/A	N/A	Interstate Competition
163	Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts	\$617,942	Provides an incentive for the purchase, repair and overhaul or rebuilding of aircraft in the State	N/A	N/A	Economic Development

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Page in Red Book	Expenditure Program Name	FY'15 Estimated Revenue Loss (Red Book)	Reason for Exemption (Red Book)	Reason for Exemption (1997 Report )	Rationale (1997 Report)	Rationale Category (OPEGA Analysis)
165	Sales of Certain Qualified Snowmobile Trail Grooming Equipment	\$81,236	Subsidizes the repair and maintenance of snowmobile trails	N/A	N/A	Economic Development
173	Refund of Sales Tax on Goods Removed from the State	A	The goods are being used outside of the State	Enables business to compete in very specific instances where an item in inventory becomes taxable when removed from inventory but should be exempt when removed from the state. If these items were taxed in Maine, purchasers or users would simply conduct their business elsewhere, thereby having a negative impact on the Maine business.	Interstate Competition	Interstate Competition
174	Refund of Sales Tax on Certain Depreciable Machinery and Equipment	\$2,849,532	Provides financial support to commercial agriculture, aquaculture, fishing and wood harvesting	Treats the purchase of certain machinery and equipment used in agriculture and aquaculture similar to the purchase of machinery and equipment by manufacturers. Enables Maine people engaged in farming and fishing to compete with those from other states.	Interstate Competition	Interstate Competition
178	Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	\$79,800	Provides financial support to the businesses that sell cruises on windjammers	N/A	N/A	Economic Development