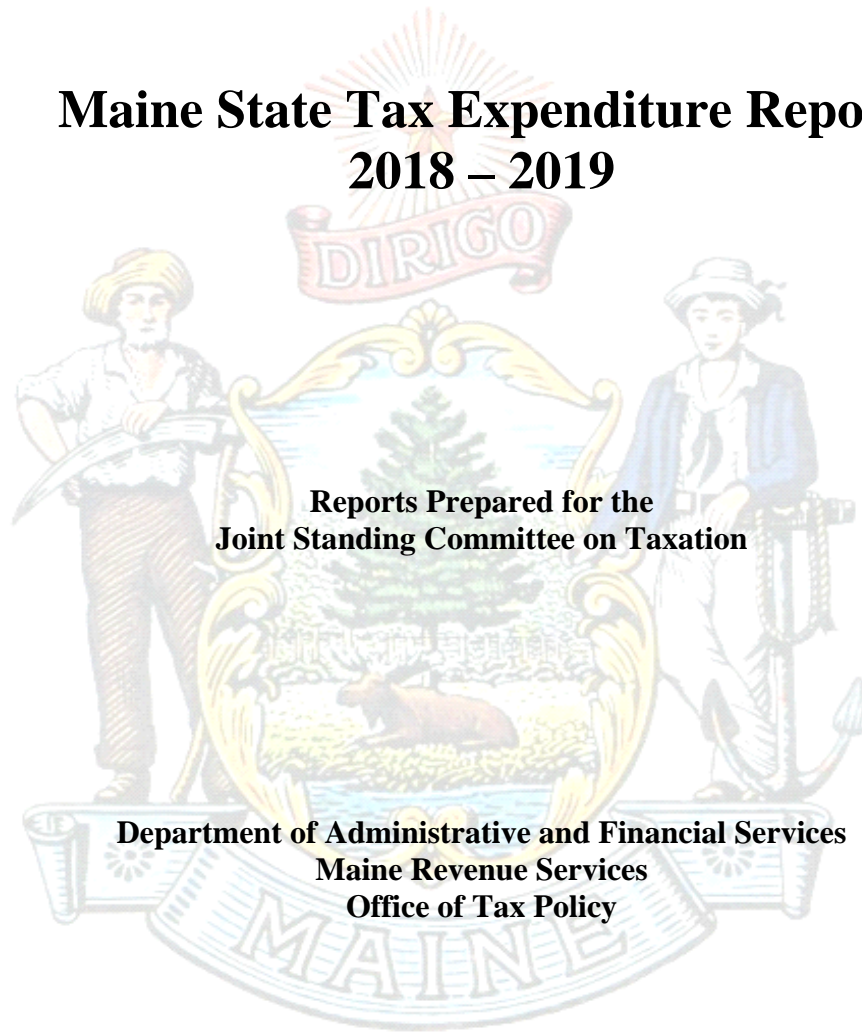


Maine State Tax Expenditure Report 2018 – 2019



**Reports Prepared for the
Joint Standing Committee on Taxation**

**Department of Administrative and Financial Services
Maine Revenue Services
Office of Tax Policy**



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February 15, 2017

Sen. Dana Dow, Chair
Rep. Ryan Tipping, Chair
Members Joint Standing Committee on Taxation

The Office of Tax Policy is pleased to submit to the Committee a detailed report on state income tax and sales tax expenditures. For purposes of this report, 36 M.R.S.A. § 199-B defines tax expenditure as any provision of state law that results in the reduction of tax revenue due to special exclusions, exemptions, deductions, credits, preferential rates or deferral of tax liability.

We have excluded from the definition tax expenditures that are (1) required under federal mandate (e.g., the sales tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with traditional tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) are the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

This report provides no recommendation regarding the amendment, repeal or replacement of any tax expenditure. Such recommendations are included in the Governor's biennial budget or separate legislation submitted by the Administration.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Michael J. Allen

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Section 1: TAX EXPENDITURES

I. Introduction

State law requires Maine Revenue Services to provide two tax expenditure reports in January of every odd-numbered year. The first report must be included in the state budget document. 5 M.R.S.A. §1664 provides that the document specifically include

. . . the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress, and the anticipated loss in revenue for each fiscal year of the ensuing biennium, caused by the tax expenditures provided in Maine statutes; the term "tax expenditures" means those State tax revenue losses attributable to provisions of Maine tax laws which allow a special exclusion, exemption or deduction or which provide a specific credit, a preferential rate of tax or a deferral of tax liability.

The second report, required by 36 M.R.S.A. § 199-B, must be submitted to the Joint Standing Committee on Taxation. This report must contain

a summary of each tax expenditure, a description of the purpose and background of the tax expenditure and the groups likely to benefit from the tax expenditure, an estimate of the cost of the tax expenditure for the current biennium, any issues regarding tax expenditures that need to be considered by the Legislature, and any recommendation regarding the amendment, repeal or replacement of the tax expenditure.”

The Governor’s budget submission for the 2018-19 biennium includes the first report. This report meets the second statutory requirement.

The tax expenditure budget is a concept that was developed to assure a budget review process for tax preferences similar to the review required for direct expenditure programs. The federal government and most state governments engage in a periodic review of tax expenditures. Generally, tax expenditures provide tax incentives designed to encourage certain activities by taxpayers or provide relief to taxpayers in special circumstances. Many tax expenditures are the equivalent of a governmental subsidy in which the foregone tax revenue is essentially a direct budget outlay to specific groups of taxpayers. The object of this report is to identify and estimate the fiscal impact of those provisions of the state tax structure which grant benefits analogous to those provided by direct state spending programs.

II. Identifying Tax Expenditures

Tax expenditures are defined relative to a benchmark “normal tax law.” Thus, identifying tax expenditures requires defining normal tax law. Tax expenditures are then aspects of the law that reduce revenue relative to normal tax law.

For the income tax we adopt the same definition of normal income tax law as the Congressional Joint Committee on Taxation uses to identify federal income tax expenditures. The normal law tax structure includes personal exemptions, the standard deduction, the current tax rate schedule, and business expenses deductions. The base for normal law is much broader than taxable income. Tax expenditures are exclusions, exemptions, or deductions that reduce taxable income below the “normal law” tax base and also tax credits, preferential tax rates, or income tax deferral that reduce income tax liability.

Defining normal sales tax law is complicated because there are competing theoretical constructs for what this benchmark should be. One possibility is that the normal sales tax base is defined by 36 M.S.R.A. § 1811 and includes “all tangible personal property and taxable services sold at retail in this state.” Under this definition, sales tax exclusions for services are *not* tax expenditures but sales tax exemptions for business purchases of tangible personal property *are* tax expenditures. Another possibility is that the normal sales tax base is all retail purchases for consumption. In this case, sales tax exclusions for services *are* tax expenditures but sales tax exemptions for business purchases of tangible personal property are *not* tax expenditures because these purchases are not consumption. This report defines the normal sales tax base as the combination of these two bases. Thus the benchmark base includes all sales of tangible personal property and services sold at retail, and both exemptions for business purchases and exclusions for the purchase of services are counted as tax expenditures.

We choose very broad definitions of the benchmark income and sales tax bases to maximize the number of tax expenditures identified and thus provide the most information to legislators. The choice of benchmark law does not reflect a judgment that benchmark law is preferred to current law. One area where the choice of normal law is important is when making cross-state comparisons of tax expenditures, as different choices of normal law will lead to different lists of expenditures even if states had identical tax policies. (Cross-state comparisons should also account for the fact that, holding reference law and current tax law constant, there is a great deal of variation across states in how exhaustive their list of tax expenditures is.)

There are a few other important considerations for the definition of normal tax law in this report. We have defined normal law to exclude as expenditure those parts of the law that are (1) established by federal mandate (e.g., the sale tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with traditional tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

III. Estimating the Size of Tax Expenditures

In estimating the revenue loss attributed to particular tax expenditure, it is assumed that the provision of law granting special tax treatment is repealed and that no other changes in tax law, taxpayer behavior or general economic activity occur as a result of its repeal. Consequently, it should not be concluded that the repeal of any of these tax expenditures will necessarily generate the amount of revenue which they are estimated to forego.

Some tax expenditures are estimated rather accurately from available administrative information or the state’s micro-simulation tax models. For a much larger number of expenditures, special data must be developed which is less complete and accurate. Estimates for FY 18 and FY 19 generally assume modest increases in business activity and inflation, based on the economic forecast provided by the Consensus Economic Forecasting Committee in November 2016.

Finally, there are some expenditures where no information exists, and our limited resources prevent any special survey or other data generation procedures. Estimates for this group are reported as a range in an attempt to place some bounds on the size of these expenditures.

Maine's individual and corporate income tax systems are based upon the federal definitions of adjusted gross income and taxable income. Therefore, certain tax expenditures are authorized by continued acceptance of the provisions of the Internal Revenue Code. Unlike sales and excise tax expenditures or state income tax expenditures related to state tax credits or modifications from Federal AGI, these are not subject to a systematic, periodic review by the Legislature. In many cases, the basis for identifying, estimating and forecasting income tax expenditures which are derived from federal conformity is the Joint Committee on Taxation's *Estimates of Federal Tax Expenditures for Fiscal Years 20015-2019*, compiled by the U.S. Joint Standing Committee on Taxation (December 7, 2015).

Tax expenditures resulting from conformity to Federal Adjusted Gross Income that do not involve an above-the-line deduction on the Federal Form 1040 are particularly challenging to estimate due to a lack of data. For this reason we isolate these expenditures at the end of the income tax section and provide specific estimates only for the largest expenditures. These estimates, based on the JCT study, are only intended to convey the order of magnitude of the expenditure.

All tax expenditure estimates in this report reflect revenue loss to the General Fund.

IV. Changes to Tax Expenditure Report

Many features of Maine tax law have changed since the last report. Changes to existing expenditures are described in the body of the report. In addition to changes to existing expenditures, several expenditures have been added and removed from the report.

A) Expenditures Removed from the Report

A large number of tax expenditures have been repealed and thus removed from the report. Income tax credits for contributions to family development account reserve funds, employer-assisted daycare, employer-provided long-term care benefits, forest management planning, retirement and disability, high-technology investment, dependent health benefits paid, quality childcare investment, jobs and investment, biofuel commercial production and commercial use, and pollution-reducing boilers have all been repealed for tax years beginning in 2016. For the individual income tax, the deductions for contributions to 529 plans and long-term care premiums have also been repealed for tax years beginning in 2016. Finally, the exemption from service provider tax for the minimum cable and satellite television service that can be purchased from a cable or satellite television supplier was repealed beginning January 1, 2016.

We have removed several other expenditures from this report for reasons other than repeal. The military pension deduction for certain dentists is now included with the pension deduction because the full amount of all military pensions is deductible for tax years beginning in 2016. The credits for income tax paid to another jurisdiction by an estate or trust and by an individual have been removed because of considerations of U.S. Constitution provisions bearing on state taxation. The deduction for dividends received from nonunitary affiliates was removed, beginning with the 2015 report, because of similar constitutional considerations. In lieu of apportionment relief the taxpayer has the option of deducting 50% of these dividends. Thus the deduction is better viewed as part of a technical solution to the constitutional requirement that relief is required when nonunitary affiliate dividends are included in taxable income rather than a tax expenditure.

Finally, we are no longer reporting tax expenditures for the exclusion of Medicare benefits and investment income of life insurance because the Joint Committee on Taxation has dropped these items from their tax expenditure report.

B) Expenditures Appearing in This Report for the First Time

Four tax credits were enacted since the last report: the adult dependent care credit, the credit for disability income protection plans in the workplace, the credit for certain homestead modifications, and the sales tax fairness credit. A new sales tax exemption for sales to certain organizations that provide services to veterans and their families is also included in the report.

Conformity to parts of the federal Protecting Americans from Tax Hikes Act of 2015 (P.L. 114-113) led to the inclusion of several new income tax expenditures in this report. Section 179 expensing (beyond the modest 2002 limitations) and the educator expense deduction were permanently extended at the federal level and Maine conformed to those changes. The Maine Capital Investment Credit was extended in conjunction with the federal extension of bonus depreciation through 2019. All three tax provisions appear in this report for the first time, despite having been features of Maine tax law since 2011 or earlier. They were not included in prior reports because they were extended on a year-to-year basis, often retroactively, and thus were not effective for tax years after the tax expenditure report was published.

**INCOME TAX (Personal and Corporation) and PROPERTY
TAX REIMBURSEMENTS**

1.001 Reimbursement for business equipment tax exemption to municipalities.

36 M.R.S.A. § 691

Under this provision, qualified business equipment first subject to property tax assessment on or after April 1, 2008 will be exempt from property taxes. The state is required to reimburse municipalities for property revenue loss according to the following schedule: 100% in 2008, 90% in 2009, 80% in 2010, 70% in 2011, 60% in 2012, and for years beginning 2013 and for subsequent years, 50%. Alternate reimbursement may be chosen by municipalities with business property exceeding 5% of total taxable value. The alternate reimbursement percentage equals 50% of the property tax revenue loss plus one half of the percentage that business personal property represents of the total taxable value plus exempt business personal property value in the municipality. There is also additional reimbursement provided for municipalities with respect to revenues related to tax increment financing revenues used by municipalities on their own qualifying tax increment financing projects.

Reason(s) for exemption

Provides an incentive for business to make new investments that will foster economic development.

Estimated General Fund revenue loss

FY '18 \$37,968,101

FY '19 \$42,968,623

Methods used to calculate the revenue loss

Estimates based on the Revenue Forecasting Committee report.

Number of tax payers affected

6,247 exemptions in 2015

1.002 Reimbursement for taxes paid on certain business property (BETR).

36 M.R.S.A. Chapter 915

A business against which property taxes have been assessed with respect to eligible property (generally qualified business property first placed in service in Maine, or constituting construction in progress commenced in Maine, after April 1, 1995 and before April 2, 2007 (with the exception of certain retail property newly placed in service after that date that remains eligible for BETR reimbursement)) and who has paid those taxes is entitled to reimbursement of those taxes from the State. The reimbursement is 100% of the taxes assessed and paid with respect to eligible property for the first 12 years the property tax was paid. The reimbursement is 75% in Year 13 and is annually reduced until reimbursement reaches 50% in Year 17. Property placed in service after April 1, 2007 is generally qualified for the business equipment tax exemption under 36 M.R.S.A. §§ 6651 & 6652. See item 1.001 on the previous page.

Reason(s) for exemption

Provides an incentive for business investment and subsequent economic development.

Estimated General Fund revenue loss

FY '18 \$26,800,000

FY '19 \$23,420,000

Methods used to calculate the revenue loss

Estimates based on the Revenue Forecasting Committee report.

Number of taxpayers affected

1,420 businesses requested reimbursement for 2014 property taxes.

1.003 Deduction for affordable housing.

36 M.R.S.A. § 5122-(2)(Z) & § 5200-A (2)(Q)

For income tax years beginning on or after January 1, 2006, Maine taxable income (MAGI) is reduced by capital gains and ordinary income resulting from depreciation recapture determined in accordance with the Code, §§ 1245 and 1250 realized on the sale of property certified as multifamily affordable housing property by the Maine State Housing Authority.

Reason(s) for exemption

Exemption is granted to claimants to encourage the preservation of affordable housing in Maine. It is expected to expand access to housing for young professionals and young families.

Estimated General Fund revenue loss

FY '18 \$0-\$50,000

FY '19 \$0-\$50,000

Methods used to calculate the revenue loss

Estimate is based on the Maine Revenue Services data warehouse.

Number of tax payers affected

Fewer than 20 taxpayers affected.

1.004 Deduction for social security benefits taxable at federal level.

36 M.R.S.A. § 5122-(2)(C)

Federal adjusted gross income is reduced by social security benefits and railroad retirement benefits paid by the United States to the extent included in federal adjusted gross income.

Reason(s) for exemption

Federal taxation of social security benefits provides funds to the Social Security Trust Fund. The state does not have this need, therefore social security and railroad retirement benefits are excluded from Maine taxable income.

Estimated General Fund revenue loss

FY '18 \$85,000,000

FY '19 \$91,800,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

Number of taxpayers affected

Estimated 82,500 taxpayers affected.

1.005 Deduction for contributions to capital construction funds.

36 M.R.S.A. § 5122-(2)(I)

For income tax years beginning on or after January 1, 1991, federal adjusted gross income is reduced by the amount by which federal taxable income is reduced for vessel earnings from fishing operations contributed to a capital construction fund.

Reason(s) for exemption

An incentive for taxpayers involved in fishing operations for future maintenance or replacements of fishing vessels.

Estimated General Fund revenue loss

FY '18 \$0 - \$49,999

FY '19 \$0 - \$49,999

Methods used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.006 Deduction for pension income.

36 M.R.S.A. § 5122(2)(M)

Federal adjusted gross income is reduced by the lesser of: (1) \$10,000, reduced by the individual's social security and railroad retirement benefits paid by the United States, but not less than \$0, except that the reduction does not apply to benefits paid under a military retirement plan; or (2) the aggregate of benefits under employee retirement plans and taxable distributions from individual retirement accounts included in the individual's federal adjusted gross income.

Beginning in 2016, benefits received under a military retirement plan, including survivor benefits, are fully exempt from Maine income tax.

The deduction is available to each individual who is a primary recipient (individual upon whose earnings the employee retirement plan benefits are based or the surviving spouse of that individual) of benefits under an employee retirement plan (state, federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees).

Reason(s) for exemption

Provide tax relief to taxpayers with pension income, particularly taxpayers with military pensions and taxpayers who do not receive social security income; also, provides some degree of equity between public and private pension providers.

Estimated General Fund revenue loss

FY '18 \$32,300,000

FY '19 \$32,300,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 50,000 taxpayers

1.007 Deduction for interest and dividends on Maine state and local securities by individuals.

36 M.R.S.A. § 5122(2)(N)

Federal adjusted gross income is reduced by the amount of interest and dividends on obligations or securities of this state and its political subdivisions and authorities to the extent included in federal adjusted gross income.

Reason(s) for exemption

Provides an incentive for investment in Maine state and local bonds.

Estimated General Fund revenue loss

FY '18 \$60,000

FY '19 \$65,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

Number of taxpayers affected

500-600 taxpayers

1.008 Deduction for Holocaust victim settlement payments.

36 M.R.S.A. § 5122(2)(O)

Federal adjusted gross income is reduced by Holocaust victim settlement payments received by a Holocaust victim to the extent included in federal adjusted gross income. A Holocaust victim is an individual who died, lost property or was a victim of persecution as a result of discriminatory laws, policies or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation or national origin. "Holocaust victim" includes the spouse or a descendant of such an individual.

Reason(s) for exemption

Allows the full amount of compensation received to be used by individuals compensated for holocaust injustices.

Estimated General Fund revenue loss

FY '18 \$0 – \$49,999

FY '19 \$0 – \$49,999

Methods used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.009 Deduction for active duty military pay earned outside of Maine

36 M.R.S.A. § 5122-(2)(LL)

For tax years beginning on or after January 1, 2014, pay received for active duty military service performed outside of Maine upon written orders is exempt. Active duty military compensation earned by a nonresident individual is fully exempt from Maine taxation, whether earned in Maine or elsewhere, by operation of federal law. See 50 U.S.C. § 571(b). The effect of the law is to further exempt from Maine taxation military compensation earned outside Maine by active duty military personnel who are residents of Maine.

Reason(s) for exemption

To provide tax relief to active duty military service members who are residents of Maine.

Estimated General Fund revenue loss

FY '18 \$900,000

FY '19 \$900,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse.

Number of taxpayers affected

600 – 800 taxpayers

1.010 Itemized deductions.

36 M.R.S.A. § 5125

An individual who has claimed itemized deductions from federal adjusted gross income in determining the individual's federal taxable income for the taxable year may claim itemized deductions from Maine adjusted gross income.

The sum of an individual's itemized deductions is: (1) reduced by any state income or sales tax; (2) increased by any interest or expense incurred in the production of the individual's Maine income that was not deducted in determining the individual's federal taxable income; (3) reduced by any amount of deduction attributable to income taxable to financial institutions; (4) reduced by any amount attributable to interest or expenses incurred in the production of income exempt from tax; and (5) reduced by any amount included in the basis of the family development account reserve fund credit.

For tax years beginning in 2014 and 2015, Maine itemized deductions are limited to \$27,950 and \$28,350, respectively, except that the medical expense deduction is not subject to this cap.

For tax years beginning after 2016, itemized deductions are reduced for high-income taxpayers. Single taxpayers itemized deductions are reduced in a straight line between \$70,000 and \$145,000 of Maine adjusted gross income; these thresholds are multiplied by two for married taxpayers filing jointly and 1.5 for head of household taxpayers.

Reason(s) for exemption

Generally provides conformity to federal individual tax law. Conformity reduces filing errors, increases compliance and keeps Maine taxes competitive with other states.

Estimated General Fund revenue loss

FY '18 \$12,400,000

FY '19 \$12,900,000

Methods used to calculate the revenue loss

Estimates are based on the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 122,000 taxpayers in tax year 2015 and an estimated 38,000 in tax year 2016.

1.011 Additional standard deduction for the blind and elderly.

36 M.R.S.A. § 5124-A

For tax years beginning in 2016, taxpayers who are blind may take an additional \$1,550 standard deduction if single, or \$1,250 if married. The additional standard deduction is subject to the same phase out as the regular standard deduction and itemized deductions.

Reason(s) for exemption

Provide tax relief for the elderly and blind.

Estimated General Fund revenue loss

FY '18 \$7,700,000

FY '19 \$8,200,000

Methods used to calculate the revenue loss

Estimate is based on data from Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 53,000 taxpayers affected.

1.012 Deduction for exempt associations, trusts and organizations.

36 M.R.S.A. § 5162(2)

An association, trust or other unincorporated organization which by reason of its purposes or activities is exempt from federal income tax is exempt from Maine income tax except with respect to its unrelated business taxable income.

Reason(s) for exemption

Conforms to federal tax law and provides tax benefits to charitable and benevolent organizations.

Estimated General Fund revenue loss

FY '18 \$0 – \$49,999

FY '19 \$0 – \$49,999

Methods used to calculate the revenue loss

Revenue loss is estimated as a range of possible values because little or no data is available.

Number of tax payers affected

Number of taxpayers affected is not available.

1.013 Deduction for interest and dividends on U.S., Maine state and local securities.

36 M.R.S.A. §§ 5200-A-(2)(K)

The taxable income of a taxpayer under the laws of the United States is reduced by the amount of interest or dividends on obligations or securities of the United States, this state and its political subdivisions and authorities to the extent included in federal taxable income.

Reason(s) for exemption

Provides an incentive for corporations to invest in federal, Maine state and local obligations.

Estimated General Fund revenue loss

FY '18 \$200,000

FY '19 \$200,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data.

Number of taxpayers affected

Approximately 100 taxpayers

1.014 Credit to beneficiary for accumulation distribution.

36 M.R.S.A. § 5214-A

A beneficiary of a trust whose adjusted gross income includes all or part of an accumulation distribution by that trust is allowed a credit against the tax for all or a proportionate part of any tax paid by the trust on that income in any preceding taxable year which would not have been payable if the trust had in fact made distribution to its beneficiaries.

Reason(s) for exemption

Eliminates double taxation of income on which a trust has already paid the Maine income tax in a prior tax year.

Estimated General Fund revenue loss

FY '18 \$0 – \$49,999

FY '19 \$0 – \$49,999

Methods used to calculate the revenue loss

Revenue loss is estimated as a range of possible values because little or no data is available.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.015 Seed capital investment tax credit.

36 M.R.S.A. § 5216-B

The credit is available for investment in new or recent business ventures. For investments prior to 2012, FAME issued a certificate to investors for up to 40% of the cash equity they provide to eligible Maine businesses, or 60% for investments in businesses located in high-unemployment areas. For investments in 2012 and 2013, the credit rate was 50% for venture capital funds and 60% for all other investors. For investments made in 2014 and later, the credit rate is 50% for all investors.

Tax credit certificates are subject to an annual cap of \$675,000 in 2014, \$4,000,000 in 2015, and \$5,000,000 for each calendar year after 2015.

Investments may be used for fixed assets, research or working capital. An aggregate investment up to \$5,000,000 per business is eligible. The investment must be at risk for 5 years. Investors must own less than 50% of the business and immediate relatives of principal owners are not eligible. An eligible investment is an investment in a business that: a) is located in Maine; b) has gross sales of \$3,000,000 or less per year (\$5,000,000 or less per year for investments in 2014 and later); c) is the full-time, professional activity of at least one of the principal owners; and d) is a manufacturer, value-added natural resource enterprise, or a product or service provider with 60% of sales derived from outside the state or to out-of-state residents, or is engaged in developing or applying advanced technologies.

25% of the authorized credit may be used for each tax year beginning with the tax year during which the investment was made. The credit is limited to 50% of income tax liability, except the credit for investments made by a venture capital fund after 2011 is fully refundable. Unused credits may be carried over for up to 15 years.

Reason(s) for exemption

Provides an incentive for investment in small businesses in Maine.

Estimated General Fund revenue loss

FY '18 \$2,880,000

FY '19 \$3,320,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse.

Number of taxpayers affected

Approximately 175 taxpayers

1.016 Credit for educational opportunity.

36 M.R.S.A. § 5217-D

A credit is available for certain educational loan payments for Maine resident individuals who work in Maine. Loan payments for Maine undergraduate degrees earned after 2007 have been eligible for the credit since tax year 2008; the credit equals the loan payments, prorated by the fraction of coursework completed after 2007, and subject to a cap. Beginning with the 2016 tax year, loan payments for Maine graduate degrees and non-Maine undergraduate degrees that are awarded in 2016 and later are eligible for the credit. There are several other restrictions for credit eligibility that have changed over time. Restrictions on consolidated loans and graduates who transferred to a Maine college from out-of-state were loosened in 2016.

Only scheduled loan payments made during the tax year are eligible for the credit.

Unused credits may be carried over for up to 10 tax years. Beginning with the 2013 tax year, the individual credit is refundable for graduates with a degree in science, technology, engineering, or mathematics.

The credit is also available to employers making loan payments on behalf of qualifying employees. The employer credit was extended to cover non-Maine undergraduate degrees beginning in 2012 and all degrees beginning in 2016. Prior to 2016 the credit was limited by the amount that the qualified employee could claim; afterwards the only limitation is that qualified payments cannot exceed the amount due.

Reason(s) for exemption

Provides an incentive to graduates of Maine colleges and universities to stay in Maine after graduation and for employers to hire college graduates to work in Maine.

Estimated General Fund revenue loss

FY '18 \$18,700,000

FY '19 \$24,900,000

Methods used to calculate the revenue loss

Estimate is based on Maine Revenue Services data warehouse and additional analysis.

Number of tax payers affected

Approximately 5,500 taxpayers in 2015; this number will rise in future years.

1.017 Income tax credit for child care expenses.

36 M.R.S.A. § 5218

An individual taxpayer is allowed a credit for expenses incurred for the care of a child or a dependent during the year, while the taxpayer worked or looked for work. The credit is 25% of the allowable federal tax credit. The credit with respect to quality child care services doubles. The credit is refundable up to \$500. For tax years beginning in 2016, the credit is no longer refundable for nonresident taxpayers.

“Quality child-care services” is defined as services provided at child-care sites that meet minimum licensing standards and are accredited by an independent, nationally recognized program approved by the Department of Health and Human Services (“DHHS”), Office of Child Care and Head Start. The service provider must utilize recognized quality indicators for child-care services approved by DHHS, Office of Child Care and Head Start and include provisions for parent and client input, review of the provider’s policies and procedures, program records and an on-site program review.

Reason(s) for exemption

Helps taxpayers to be gainfully employed by providing tax relief for working parents, especially lower income, single parents.

Estimated General Fund revenue loss

FY ‘18 \$3,920,000

FY ‘19 \$3,920,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 28,000 taxpayers affected.

1.018 Research expense tax credit.

36 M.R.S.A. § 5219-K

An income tax credit is allowed for investment in research and development. The credit is equal to 5% of the excess, if any, of the qualified research expense for the taxable year over the average spent by the taxpayer on qualified research during the three prior tax years, plus 7.5% of the basic research payments made during the taxable year. The total taxpayer credit claimed may not reduce the taxpayer's tax liability for any tax year to less than zero. The credit is limited to research expenses incurred in Maine.

Reason(s) for exemption

Provides an incentive to encourage Maine businesses to invest in research and development in Maine.

Estimated General Fund revenue loss

FY '18 \$700,000

FY '19 \$540,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data.

Number of taxpayers affected

Approximately 85 taxpayers affected.

1.019 Credit for rehabilitation of historic properties.

36 M.R.S.A. § 5219-BB

This credit, originally available in 2000, was expanded in 2008. The credit is equal to 25% of qualified expenditures either for which a federal credit is claimed under the Code § 47 or for which a federal credit is not claimed, but qualified expenditures are between \$50,000 and \$250,000. The credit must exclude expenditures incurred after 2023. Certain affordable housing projects may qualify for a 30% credit (31% for tax years beginning after 2013). The credit must be taken in 25% increments over four years. Prior to 2014 the credit was limited to \$5 million for each project. For tax years beginning after 2013, the credit is limited to \$5 million for each portion of the certified rehabilitation or for each building that is a component part of a certified historic structure for which a credit is claimed.

Reason(s) for exemption

Designed to enlist private funds for the rehabilitation of historic properties. The credit helps reduce the cost of these projects.

Estimated General Fund revenue loss

FY '18 \$13,120,000

FY '19 \$15,340,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services data warehouse and data provided by the Maine Historic Preservation Commission.

Number of taxpayers affected

Approximately 60 individual and corporate taxpayers are affected.

1.020 Earned income credit.

36 M.R.S.A. § 5219-S

A taxpayer is allowed a credit equal to 5% of the federal earned income credit. For tax years beginning before 2016, the credit may not reduce the state income tax to less than zero. For tax years beginning in 2016, the credit is refundable for Maine residents.

Reason(s) for exemption

Creates incentive for individuals to enter the workforce. It raises the after-tax income of lower and moderate income families, especially those with dependents.

Estimated General Fund revenue loss

FY '18 \$10,100,000

FY '19 \$10,200,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model.

Number of tax payers affected

Approximately 19,500 taxpayers in 2015 and 100,000 taxpayers in 2016

1.021 Pine Tree Development Zone tax credit.

36 M.R.S.A. § 5219-W

The credit is available to certain businesses that expand or begin operations in most areas of the state. The credit allowed is 100% of the Maine tax liability for the first five years with an additional credit for 50% of the tax for each tax year six through ten. A business located in York or Cumberland County but not in a tier 1 Pine Tree Zone location could be certified as a qualified Pine Tree Zone business between January 1, 2010 and December 31, 2013 and receive the 100% income tax credit for the first five years. Only the tax associated with qualified business activity is eligible for the credit.

Reason(s) for exemption

Provides an incentive for economic development in Maine.

Estimated General Fund revenue loss

FY '18 \$3,320,000

FY '19 \$3,320,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data.

Number of tax payers affected

Approximately 10 corporate taxpayers and 90 individual taxpayers

1.022 Tax benefits for media production companies.

36 M.R.S.A. § 5219-Y, c. 919-A

For tax years starting on or after January 1, 2006, a media production company that intends to undertake a media production in Maine may apply to the Department of Economic and Community Development to have the production, or a portion of the production, certified for purposes of claiming the media production reimbursement pursuant to 36 M.R.S.A., chapter 919-A and the income tax credit under 36 M.R.S.A., § 5219-Y. A qualified media production company is allowed a reimbursement equal to 12% of certified production wages paid to employees who are residents of Maine and 10% of certified production wages paid to other employees. The tax credit, equal to 5% of qualified expenses, may not reduce the tax otherwise due to less than zero and may be used only in the year in which the certified media production income is generated. Taxpayers claiming the Pine Tree Development Zone credit are not eligible for this credit.

Reason(s) for exemption

Provides an incentive for media production activity in the State.

Estimated General Fund revenue loss

FY '18 \$499,800

FY '19 \$499,800

Methods used to calculate the revenue loss

Amount budgeted for wage reimbursement.

Number of tax payers affected

Approximately 15 taxpayers affected.

1.023 Dental care access credit.

36 M.R.S.A. § 5219-DD

Dentists certified as eligible for this credit before 2012 by the Department of Health and Human Services, Oral Health Program (“OHP”) may claim a \$15,000 nonrefundable credit on their individual income tax return. Dentists certified after 2011 may claim a \$12,000 credit. OHP may certify up to 5 eligible dentists in each year between 2009 and 2011 and up to 6 dentists in each year 2012 through 2015. To be eligible, the dentist must be licensed by Maine and must agree to practice in an underserved area of Maine for at least 5 years. The credit may be claimed beginning the first year the dentist meets the conditions of eligibility for at least 6 months and each of the 4 subsequent years as long as they retain eligibility.

Reason(s) for exemption

Provides an incentive for dentists to locate their practice in underserved areas of the state.

Estimated General Fund revenue loss

FY ‘18 \$130,000

FY ‘19 \$81,000

Methods used to calculate the revenue loss

Analysis of the history of certifications and credit claims.

Number of tax payers affected

Fourteen taxpayers affected.

1.024 New Markets Capital Investment Credit.

36 M.R.S.A. § 5219-HH

A person making a qualified equity investment in a low-income community business is allowed a credit equal to 39% of the investment. The credit is taken over seven years, with 0% allowed in the first two years, 7% allowed in year three and 8% allowed in each of years four through seven. The credit is fully refundable, or the taxpayer may elect to carry any unused portion of the credit forward for up to 20 years. Certain recapture provisions apply. Applies to tax years beginning on or after January 1, 2012.

Reason(s) for exemption

Encourage new investment in economically distressed areas of the State.

Estimated General Fund revenue loss

FY '18 \$15,134,000

FY '19 \$15,232,000

Methods used to calculate the revenue loss

Analysis of credit claims and credit certificates issued to date.

Number of tax payers affected

Number of taxpayers affected is not available.

1.025 Credit for Wellness Programs.

36 M.R.S.A. § 5219-FF

Beginning in 2014, a taxpayer constituting an employing unit with 20 or fewer employees on an average monthly basis during the taxable year is allowed a credit for qualified wellness program expenditures made during the taxable year.

A wellness program is defined as a program instituted by an employing unit that improves employee health, morale and productivity, including, without limitation:

- (1) Health education programs;
- (2) Behavioral change programs, such as counseling or seminars or classes on nutrition, stress management or smoking cessation; and
- (3) Incentive awards to employees who engage in regular physical activity.

The credit per tax year for each taxpayer is limited to \$100 per employee or \$2,000, whichever is less. The credit is not refundable and any unused credit amount may be carried over for 5 years.

Reason(s) for exemption

Encourage small employers to establish wellness programs.

Estimated General Fund revenue loss

FY '18 \$0-\$50,000

FY '19 \$0-\$50,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature.

Number of tax payers affected

Approximately 25 taxpayers

1.026 Maine Fishery Infrastructure Investment Credit.

36 M.R.S.A. § 5216-D

Taxpayers are allowed a credit for up to 50% of the amount invested in, or contributed to, an eligible public fishery infrastructure project in any calendar year. The Department of Inland Fisheries and Wildlife provides the taxpayer with a tax credit certificate enabling the taxpayer to claim the credit. An eligible public fishery infrastructure project must be determined by the Department of Inland Fisheries and Wildlife in coordination with the Department of Marine Resources to have a public benefit and be:

- (1) A publicly owned infrastructure improvement or facility that enhances the State's fisheries; or
- (2) A privately owned infrastructure improvement or facility that is publicly accessible.

The aggregate investment or contribution eligible for tax credits may not exceed \$5,000,000 per project.

Taxpayers claim the credit in equal amounts over four years beginning with the year of the investment. The credit is limited to the smaller of the current year tax liability or 50% of the prior year's tax liability. Carry forward is limited to 15 years.

Reason(s) for exemption

Encourage investment in, and contributions to, infrastructure improvements and facilities that enhance the State's fisheries.

Estimated General Fund revenue loss

FY '18 \$0-50,000

FY '19 \$0-50,000

Methods used to calculate the revenue loss

No credits have been claimed as of December 2016.

Number of tax payers affected

As of December 31, 2016 no credit certificates have been issued by the Department of Inland Fisheries and Wildlife

1.027 Innovation finance credit.

36 M.R.S.A. § 5219-EE

The Finance Authority of Maine (“FAME”) is authorized to oversee a state innovation finance program that facilitates investment by the Maine Public Employees Retirement System (“MainePERS”) in venture capital funds for innovative businesses. FAME may issue refundable tax credits to MainePERS sufficient to offset 80% (up to \$4,000,000) of the cost of each single commitment in a venture capital fund in the event of realized losses in value. Reimbursement for any such losses is capped at a maximum aggregate of \$20,000,000. Maine Revenue Services administers the tax credit provisions. Effective July 12, 2010.

Reason(s) for exemption

Encourages MainePERS to invest in innovative businesses.

Estimated General Fund revenue loss

FY ‘18 \$0 - \$4,000,000

FY ‘19 \$0 - \$4,000,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature. This credit has never been utilized.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.028 Primary care access credit.

36 M.R.S.A. § 5219-LL

To qualify for the credit, a primary care professional must be certified by the Department of Health and Human Services and agree to practice full time for at least 5 years in an underserved area. The Department of Health and Human Services may certify up to 5 primary care professionals each year. The credit applies to tax years beginning on or after January 1, 2014 but before January 1, 2019.

The credit is equal to the annual payments made on a student loan for course work directly related to that person's training in primary care medicine. The credit may be claimed in the first year that the eligible primary care professional meets the conditions of eligibility for at least 6 months, and each of the four subsequent years. The credit is limited to \$6,000 in the first year of eligibility, \$9,000 in the second year, \$12,000 in the third year, \$15,000 in the fourth year and \$18,000 in the fifth year. The credit may not reduce the tax otherwise due to less than zero.

Reason(s) for exemption

Encourage primary care professionals to provide services in underserved areas.

Estimated General Fund revenue loss

FY '18 \$100,000 - \$200,000

FY '19 \$100,000 - \$200,000

Methods used to calculate the revenue loss

Analysis of credit claims and certifications to date.

Number of taxpayers affected

Fewer than 25 once the program is fully implemented.

1.029 Property Tax Fairness Credit.

36 M.R.S.A. § 5219-KK

For tax years beginning after 2013, a refundable tax credit is available for taxpayers equal to 50 percent of property taxes paid on a resident's homestead above 6 percent of income. The credit is limited to \$600 for taxpayers under 65 or \$900 for taxpayers 65 and older. In 2016, property taxes considered for the credit are capped at \$2,000 for single taxpayers, \$2,600 for married joint or head of household filers claiming two exemptions, and \$3,200 for married joint and head of household filers claiming three or more exemptions. Rent constituting property tax equals 15 percent of rent.

The income measure used to calculate the credit is generally Federal Adjusted Gross income plus 1) all federal "above-the-line" deductions; 2) tax-exempt Social Security income; 3) tax-exempt interest; 4) net business and capital losses included in Federal Adjusted Gross income.

In 2013, the refundable credit was 40 percent of property taxes above 10 percent of Maine adjusted gross income. Rent constituting property tax was 25% of rent and the amount of property taxes considered for the credit was unlimited. The maximum credit was \$300 for taxpayers under 70 and \$400 for taxpayers 70 and older. Taxpayers with Maine adjusted gross income above \$40,000 were ineligible for the credit.

Reason(s) for exemption

Provide property tax relief.

Estimated General Fund revenue loss

FY '18 \$15,090,000

FY '19 \$15,970,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 53,000 taxpayers

1.030 Sales Tax Fairness Credit.

36 M.R.S.A. § 5213-A

For tax years beginning on or after January 1, 2016, low and middle income residents are allowed a refundable sales tax fairness credit. The maximum credit, known as the “base credit,” depends on the number of exemptions. The base credit ranges from \$100 to \$180 for tax years beginning in 2016 and from \$125 to \$225 for tax years beginning after 2016. The credit is reduced by \$20 for every \$1,000 of income above \$20,000 for taxpayers filing single, \$30,000 for taxpayers filing as heads of household and \$40,000 for taxpayers filing married joint returns. The phaseout income thresholds are adjusted for inflation for tax years beginning after 2016. Income for purposes of the credit is equal to federal total income as reported on the individual’s federal income tax return increased by nontaxable social security and railroad retirement benefits, tax exempt interest and certain business and capital losses.

The credit does not apply to married individuals filing separate returns, “safe-harbor” residents, and individuals who are incarcerated.

Reason(s) for exemption

Provide sales tax relief.

Estimated General Fund revenue loss

FY ‘18 \$34,500,000

FY ‘19 \$33,600,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 250,000 taxpayers

1.031 Maine Capital Investment Credit for 2015 and after.

36 M.R.S.A. § 5219-NN

Taxpayers are allowed a credit based on federal bonus depreciation for eligible property placed in service in Maine.

The credit base equals the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine. This amount represents the net increase in the federal depreciation deduction due to bonus depreciation. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property.

For individual taxpayers, the credit percentage is 8% for tax years beginning in 2015 and 7% for tax years beginning after 2015. For corporate taxpayers, the credit percentage is 9%.

Any amount used to claim this credit cannot be claimed as depreciation for Maine income tax purposes in any tax year.

Any unused portion of the credit may be carried forward to the following year or years for a period not to exceed 20 years.

Property placed in service between 2015 and 2017 is eligible for 50% bonus depreciation. Bonus depreciation falls to 40% for 2018 and 30% in 2019 and is repealed for property placed in service after 2019.

Reason(s) for exemption

Encourage investment in Maine

Estimated General Fund revenue loss

FY '18 \$9,350,000

FY '19 \$5,950,000

Methods used to calculate the revenue loss

Analysis based on history of credit claims and carryforwards. The estimate does not account for the recently passed income tax surtax, which could significantly reduce the individual Maine capital investment credit because the top marginal tax rate is significantly higher than the credit rate.

Number of taxpayers affected

Approximately 4,500 taxpayers

1.032 Credit for certain homestead modifications.

36 M.R.S.A. § 5219-NN

For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for taxpayers whose federal adjusted gross income is not more than \$55,000. The credit is equal to the lesser of \$9,000 or the applicable percentage (up to 100%) of qualified expenses incurred for certain home modifications to make a homestead accessible to an individual with a disability or physical hardship. Qualified expenditures must be certified by the Maine State Housing Authority. The credit is limited to the tax liability of the taxpayer and the total credits allowed for all taxpayers is limited to an annual aggregate of \$1,000,000 per calendar year. Carryforward provisions apply.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '18 \$73,500

FY '19 \$122,500

Methods used to calculate the revenue loss

Estimate based on the fiscal analysis provided to the Legislature.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.033 Credit for disability income protection plans in the workplace.

36 M.R.S.A. § 5219-NN

For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for employers providing either a qualified short-term disability income protection plan or a qualified long-term disability income protection plan. The credit is equal to \$30 per employee enrolled in a plan after January 1, 2017 who was not covered under a disability income protection plan offered by the employer in the tax year immediately preceding the year in which the credit is first available. The credit must be taken in the first year the employer becomes eligible to claim the credit and may be claimed for up to 3 consecutive tax years. The credit is limited to the tax liability of the taxpayer and any unused credit may not be carried back or forward to any other tax year. Expenditures used to calculate the credit that are also used as an expense in calculating federal adjusted gross income must be added back to income through a Maine addition modification.

Reason(s) for exemption

Encourage employers to offer disability insurance policies with automatic enrollment.

Estimated General Fund revenue loss

FY '18 \$28,420

FY '19 \$62,720

Methods used to calculate the revenue loss

Estimate based on the fiscal analysis provided to the Legislature.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.034 Adult Dependent Care Credit.

36 M.R.S.A. § 5218-A

For tax years beginning on or after January 1, 2016, eligible taxpayers are allowed to claim a tax credit equal to 5% – 8.75% of adult dependent care expenses paid for adult day care, hospice services and respite care during the taxable year to the extent the expenses are not used to calculate the federal child and dependent care credit. The credit percentage depends on federal adjusted gross income.

The dependent care expenses that may be used to calculate the credit are limited to \$3,000 for one qualifying individual or \$6,000 for two or more qualifying individuals. The credit is refundable up to \$500.

Reason(s) for exemption

Provide tax relief for taxpayers with adult dependent care expenses

Estimated General Fund revenue loss

FY '18 \$147,700

FY '19 \$147,700

Methods used to calculate the revenue loss

Estimate based on the fiscal analysis provided to the Legislature.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.035 Employment tax increment financing.

36 M.R.S.A. Chapter 917 and 5 M.R.S.A. §13083 and §13083-S-1

A qualified business is entitled to reimbursement of Maine income tax withheld during the calendar year for which reimbursement is requested and attributed to qualified employees after July 1, 1996 in the following amounts:

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is at or below the state unemployment rate at the time of the application, the reimbursement is equal to 30% of the withholding taxes withheld during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is greater than the state unemployment rate at the time of the application, the reimbursement is equal to 50% of the withholding taxes withheld during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is greater than 150% of the state unemployment rate at the time of the application, the reimbursement is equal to 75% of the withholding taxes withheld during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified Pine Tree Development Zone employees, employed directly in the qualified business activity of a qualified Pine Tree Development Zone business, for whom a certificate has been issued, the reimbursement is equal to 80% of Maine income tax withheld each year for which reimbursement is requested and attributed to those qualified employees for a period of no more than 10 years for tier 1 locations and no more than 5 years for tier 2 locations. Reimbursement under this paragraph may not be paid for years beginning after December 31, 2028.

Special job increment financing programs exist for businesses located at Loring Air Force Base and the Brunswick Naval Air Station.

Reason(s) for exemption

Provides incentives for businesses to hire new employees with a designated level of wages, health and retirement benefits.

Estimated General Fund revenue loss

FY '18 \$15,810,000

FY '19 \$17,350,000

Methods used to calculate the revenue loss

Estimate is based on claims through calendar year 2015.

Number of taxpayers affected

Approximately 146 taxpayers affected.

1.036 Shipbuilding facility credit.

36 M.R.S.A., § Chapter 919

This credit against the Maine income tax withholding liability is available to shipbuilders that meet the following criteria: (1) own, operate or propose to construct a shipbuilding facility within Maine, (2) propose to make a qualified investment certified by the Commissioner of Economic and Community Development, (3) employ at least 6,500 qualified employees at the time the application is filed and (4) does not otherwise qualify for the Maine Employment Tax Increment Financing Program at the time the application is filed.

In addition, the claimant's workforce must (1) be certified or qualified full-time employees whose income is taxable by the state; (2) have access to a retirement program also available to qualified employees; (3) individually have income, calculated on a calendar year basis that is greater than the average per capita income in the state. The credit is equal to the withholding liability up to \$3,500,000, for each calendar year, but limited to the withholding liability relative to wages of qualified employees on or after July 1st of each calendar year.

Reason(s) for exemption

Encourages major investment in shipbuilding projects in Maine.

Estimated General Fund revenue loss

FY '18 \$2,817,500

FY '19 \$0

Methods used to calculate the revenue loss

Estimate is based on credit claims to date.

Number of tax payers affected

Fewer than 5 taxpayers affected.

1.037 Health savings accounts.

36 M.R.S.A. § 5102 (1-D)

Health savings accounts (HSAs) enable workers with high-deductible health insurance to make pre-tax contributions equal to the lesser of the annual deductible or \$3,250 for self-coverage (\$6,450 for families) for 2013 to cover health care costs. Any amount paid or distributed from a HSA which is used exclusively to pay qualified medical expenses of any account beneficiary is not included in gross income. Distributions not used to pay qualified medical expense must be included in gross income and is subject to a 20% penalty.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$1,350,000

FY '19 \$1,350,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model. The estimate is only for the HSA deduction claimed on the federal 1040 and not for employee contributions that are subtracted from taxable wages.

Number of taxpayers affected

Approximately 7,000 taxpayers.

1.038 Deduction for interest on student loans.

36 M.R.S.A. § 5102-(1-D)

Taxpayers may claim an above-the-line deduction of up to \$2,500 on interest paid on an education loan. The deduction is reduced when modified adjust gross income exceeds \$60,000 (\$125,000 for joint filers) and is completely eliminated when income exceeds \$75,000 (\$155,000 for joint filers).

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$4,500,000

FY '19 \$4,500,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 60,000 taxpayers

1.039 Deduction for moving expenses.

36 M.R.S.A. § 5102-(1-D)

Taxpayers may claim an above-the-line deduction for unreimbursed moving expenses when the move is related to starting work in a new location. To deduct moving expenses a taxpayer must meet a distance test and a time test.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$320,000

FY '19 \$320,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 3,500 taxpayers affected.

1.040 Pension contributions- individual retirement plans.

36 M.R.S.A. § 5102-(1-D)

Taxpayers may deduct from adjusted gross income (AGI) contributions to various Individual Retirement Accounts (IRAs). The IRA contribution limit is \$5,500 in 2014 and 2015 and is indexed thereafter. Taxpayers over age 50 may make additional “catch-up” contributions of \$1,000.

Taxpayers who are not covered by a retirement plan at work may claim a full deduction for contributions to a traditional IRA. The deductible amount is subject to income limitations when a taxpayer is covered by a retirement plan. In 2014, married taxpayers with both spouses covered by a retirement plan can claim a full deduction if modified AGI is below \$96,000 (\$60,000 for single filers) and a partial deduction if modified AGI is below \$116,000 (\$70,000 for single filers).

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$5,800,000

FY '19 \$6,100,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 16,000 taxpayers.

1.041 Pension contributions- partners & sole proprietors – Self-employed SEP, Simple, and KEOGH plans.

36 M.R.S.A. § 5102-(1-D)

Self-employed individuals may make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their post-contribution income, up to a maximum of \$52,000 in 2014. Total plan contributions are limited to 25 percent of the firm's total wages. Tax on the investment income earned by the Keogh plan is deferred until withdrawn.

Self-employed individuals may also set up SEP and SIMPLE plans for themselves and their employees.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$6,200,000

FY '19 \$6,600,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

4,000 – 5,000 taxpayers.

1.042 Deduction for health insurance premiums and long-term care insurance premiums by the self-employed.

36 M.R.S.A. § 5102-(1-D)

Self-employed taxpayers may deduct 100% of family health insurance premiums paid. Taxpayers without self-employment income are not eligible for this deduction, but may claim premiums as an itemized deduction.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$9,150,000

FY '19 \$9,700,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 20,000 taxpayers.

1.043 Educator Expenses.

36 M.R.S.A. § 5102-(1-D)

Eligible educators are allowed a deduction of up to \$250 for unreimbursed purchases of materials and equipment used in the classroom. The deduction limit is adjusted annually for inflation.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$290,000

FY '19 \$290,000

Methods used to calculate the revenue loss

Estimate is based on data from the Maine Revenue Services individual income micro-simulation tax model.

Number of taxpayers affected

Approximately 16,000 taxpayers.

1.044 Section 179 Expensing for 2015 and later.

36 M.R.S.A. § 5102 (1-D)

Taxpayers are allowed to expense up to \$500,000 of investments in eligible property under the Code Section 179. The maximum amount that can be expensed is reduced dollar for dollar by the amount of equipment investment exceeding \$2,000,000. The maximum expensing allowance is adjusted for inflation beginning in 2016.

Maine has conformed to enhanced Section 179 expensing since 2011. Enhanced section 179 expensing has not appeared in previous Tax Expenditure Reports because prior to tax year 2015 the higher limits were scheduled to expire and then extended one year at a time.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$3,750,000

FY '19 \$2,850,000

Methods used to calculate the revenue loss

Estimate is based on the Maine Revenue Services individual income micro-simulation tax model and data warehouse. The estimate is only for Section 179 expensing for property placed in service after 2014 and the cost is relative to the federal Section 179 limits in place in 2002 (\$24,000 maximum, phase out starts at \$200,000).

Number of taxpayers affected

Number of taxpayers affected is not available.

1.045 Pension contributions & earnings - employer-provided pension contributions and earnings.

36 M.R.S.A. § 5102-(1-D)

Taxpayers may exclude from adjusted gross income employer contributions to individual pension plans. The tax on the related investment income is deferred until it is withdrawn.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$189,900,000

FY '19 \$211,900,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.046 Employer-paid medical insurance and expenses.

36 M.R.S.A. § 5102-(1-D)

Employer-paid health insurance premiums and medical expenses (including long-term care) are excluded from an employee's gross income even if the employer's cost for the insurance is deducted as a business expense. Self-employed individuals may also deduct part of family health insurance premiums.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$161,100,000

FY '19 \$171,000,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.047 Exclusion of benefits provided under cafeteria plans.

36 M.R.S.A. § 5102-(1-D)

Cafeteria plans are employer-sponsored benefit packages that offer employees a choice between cash and receiving qualified benefits, such as accident and health coverage, group term life insurance coverage or coverage under a dependent care program. Benefit amounts are not included in the income of a cafeteria plan participant; however, if the participant chooses cash, the cash is includible in gross income as compensation. Otherwise, qualified benefits are excludable to the extent allowed by law.

A flexible spending arrangement (FSA) is a classified cafeteria plan. These arrangements allow employees to make pre-tax contributions to accounts for reimbursement of health and/or dependent care expenses.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$39,800,000

FY '19 \$40,600,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.048 Exclusion of capital gains at death.

36 M.R.S.A. § 5102 (1-D)

Capital gains on assets held at the owner's death are not subject to capital gains taxes. The cost basis of the appreciated assets is adjusted upward to the market value at the owner's date of death.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$24,600,000

FY '19 \$25,700,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.049 Exclusion of capital gains on sales of principal residences.

36 M.R.S.A. § 5102-(1-D)

A homeowner can exclude from tax up to \$500,000 (joint filers) or \$250,000 (single filers) of capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$22,500,000

FY '19 \$23,700,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.050 Exclusion of Social Security and Railroad Retirement not included in Federal Adjusted Gross Income.

36 M.R.S.A. § 5102-(1-D)

Social security and railroad retirement income that is not taxable at the federal level is also not taxed by Maine.

Reason(s) for exemption

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

Estimated General Fund revenue loss

FY '18 \$60,400,000

FY '19 \$63,900,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

Sales and Excise Taxes

2.001 Sales to the state & political subdivisions.

36 M.R.S.A. § 1760.2 and 2557.2.

Sales to the State or any political subdivision, or to the Federal Government, or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them are exempt from tax. This exemption does not apply where title is held or taken as security for any financing arrangement. This exemption also does not apply to corporations organized under Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to 2214.

Reason(s) for exemption

The State does not impose the sales tax on itself and it provides additional funding to its political subdivisions and schools through this sales tax exemption.

Estimated General Fund revenue loss

FY' 18 \$188,264,851

FY' 19 \$193,912,797

Method used to calculate the revenue loss

Based on state and local government expenditures as reported in the Statistical Abstract of the United States.

Number of exempt organizations on file

Governments and agencies of government – 1131

2.002 Grocery staples.

36 M.R.S.A. § 1760.3.

Grocery staples are exempt from the sales and use tax. Grocery staples means food products ordinarily consumed for human nourishment.

Grocery staples does not include:

- A. Spirituous, malt or vinous liquors;
- B. Medicines, tonics, vitamins and preparations in liquid, powdered, granular, tablet, capsule, lozenge or pill form, sold as dietary supplements or adjuncts, except when sold on the prescription of a physician;
- C. Water, including mineral, bottled and carbonated waters and ice;
- D. Dietary substitutes;
- E. Candy and confections, including but not limited to confectionery spreads. As used in this paragraph, “candy” means a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces;
- F. Prepared food; and
- G. The following food and drinks ordinarily sold for consumption without further preparation:
 - (1) Soft drinks and powdered and liquid drink mixes except powdered milk, infant formula, coffee and tea;
 - (2) Sandwiches and salads;
 - (3) Supplemental meal items such as corn chips, potato chips, crisped vegetable or fruit chips, potato sticks, pork rinds, pretzels, crackers, popped popcorn, cheese sticks, cheese puffs and dips;
 - (4) Fruit bars, granola bars, trail mix, breakfast bars, rice cakes, popcorn cakes, bread sticks and dried sugared fruit;
 - (5) Nuts and seeds that have been processed or treated by salting, spicing, smoking, roasting or other means;
 - (6) Desserts and bakery items, including but not limited to doughnuts, cookies, muffins, dessert breads, pastries, croissants, cakes, pies, ice cream cones, ice cream, ice milk, frozen confections, frozen yogurt, sherbet, ready-to-eat pudding, gelatins and dessert sauces; and
 - (7) Meat sticks, meat jerky and meat bars.

“Grocery staples” includes bread and bread products, jam, jelly, pickles, honey, condiments, maple syrup, spaghetti sauce or salad dressing when packaged as a separate item for retail sale.

“Soft drinks” means nonalcoholic beverages that contain natural or artificial sweeteners. “Soft drinks” does not include beverages that contain milk or milk products; that contain soy, rice or similar milk substitutes; or that contain greater than 50% vegetable or fruit juice by volume.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$171,960,600

FY' 19 \$178,742,200

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.003 Ships' stores.

36 M.R.S.A. § 1760.4.

Sales of cabin, deck, engine supplies and bunkering oil to ships engaged in transporting cargo or passengers for hire in interstate or foreign commerce are exempt from the sales and use tax. Bunker oil in this exemption refers to any fuel used to propel the vessel as opposed to used in the operation of any equipment, such as cranes, hoists and generators.

Reason(s) for exemption

The ships are engaged in interstate and/or foreign commerce.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.004 Prescription drugs.

36 M.R.S.A. § 1760.5.

Sales of medicines for human beings sold on doctor's prescription are exempt from the sales and use tax. This exemption does not apply to the sale of marijuana pursuant to Title 22, chapter 558-C. Sales to individuals of "over-the-counter" drugs without a written prescription are taxable, even if the drug is purchased on the advice or recommendation of a physician. However, there is no tax on nonprescription medicines purchased by a doctor for use in the doctor's medical practice. Sales of medicines originally prescribed by a doctor on a refillable prescription are exempt when the prescription is refilled.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$95,922,400

FY' 19 \$99,156,400

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.005 Prosthetic or orthotic device.

36 M.R.S.A. § 1760.5-A.

Sale of prosthetic or orthotic devices sold by prescription and sale of crutches and wheelchairs for the use of sick, injured or disabled persons and not for rental are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$8,192,800

FY' 19 \$8,526,000

Method used to calculate the revenue loss

Sales tax micro simulation model.

2.006 Meals served by public or private schools, school districts, student organizations and parent-teacher associations to the students or teachers of a school.

36 M.R.S.A. § 1760.6-A.

Sales of meals made in the school lunchroom during the normal school day or by a school or student organization at a school event where it is evident that those in attendance are mainly students and teachers, are exempt from the sales and use tax. The sale of meals served to students or teachers by a caterer or other person not associated with the school are taxable.

Reason(s) for exemption

Subsidize the provision of meals to students and teachers at schools.

Estimated General Fund revenue loss

FY'18 \$15,101,800

FY'19 \$15,621,200

Method used to calculate the revenue loss

Sales tax micro simulation model.

2.007 Meals served to patients in hospitals & nursing homes.

36 M.R.S.A. § 1760.6-B.

Meals served to patients of institutions licensed by the Department of Health and Human Services for the hospitalization or nursing care of human beings, or to patients or residents of institutions licensed by the Department of Health and Human Services under Title 22, Subtitle 6 or Title 22, section 1781, are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY'18 \$10,466,008

FY'19 \$11,045,286

Method used to calculate the revenue loss

Sales tax micro simulation model.

2.008 Sales of meals by hospitals, schools, long-term care facilities, food contractors and restaurants to incorporated nonprofit area agencies on aging for the purpose of providing meals to the elderly.

36 M.R.S.A. § 1760.6-C.

Meals sold to the area agencies on aging for the purpose of providing meals to the elderly are exempt from the sales and use tax.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

57

2.009 Sales of meals to residents of certain nonprofit congregate housing.

36 M.R.S.A. § 1760.6-D.

Meals sold to residents of church-affiliated congregate housing facilities are exempt from the sales and use tax.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.010 Meals served by colleges to employees of the college when the meals are purchased with debit cards issued by the college.

36 M.R.S.A. § 1760.6-E.

Meals served by a college to employees of the college who purchase those meals with a debit card issued by the college are exempt from sales and use tax.

Reason(s) for exemption

To eliminate the need for colleges to have to determine which purchases are taxable and which are exempt when a debit card issued by the college is being used to purchase meals.

Estimated General Fund revenue loss

FY' 18 \$0 - \$49,999

FY' 19 \$0 - \$49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.011 Meals served by certain youth camps.

36 M.R.S.A. § 1760.6-F.

Sales of meals served by youth camps licensed by the Department of Health and Human Services and defined in Title 22, section 2491, subsection 16 as a combination of program and facilities established for the primary purpose of providing an outdoor group living experience for children with social, recreational, spiritual and educational objectives and operated and used for 5 or more consecutive days during one or more seasons of the year. "Youth camp" includes day camps, residential camps and trip and travel camps.

Reason(s) for exemption

Subsidize the sale of prepared meals at certain youth camps.

Estimated General Fund revenue loss

FY' 18 \$250,000 - \$999,999

FY' 19 \$250,000 - \$999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.012 Meals served by a retirement facility to its residents.

36 M.R.S.A. § 1760.6-G.

Sales of meals served by a retirement facility to its residents are exempt from the sales and use tax when participation in the meal program is a condition of occupancy or the cost of the meals is included in or paid with a comprehensive fee that includes the right to reside in a residential dwelling unit and meals or other services.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY' 18 \$250,000 - \$999,999

FY' 19 \$250,000 - \$999,999

Method used to calculate the revenue loss

The estimated revenue loss was based on audit information.

2.013 Products used in agricultural and aquacultural production, and bait.

36 M.R.S.A. § 1760.7-A, 7-B, 7-C.

Sales of feed, hormones, pesticides, antibiotics and medicine for use in aquacultural production and sales of bait to commercial fishermen are exempt from the sales and use tax.

Sales of seed, fertilizers, defoliants and pesticides, including, but not limited to, rodenticides, insecticides, fungicides and weed killers, for use in commercial agricultural production are exempt from the sales and use tax.

Sales of breeding stock, semen, embryos, feed, hormones, antibiotics, medicine, pesticides and litter for use in animal agricultural production and sales of antiseptics and cleaning agents used in commercial animal agricultural production are exempt from the sales and use tax. Animal agricultural production includes the raising and keeping of equines.

Reason(s) for exemption

Provide funding to the agricultural, aquacultural, and commercial fishing industries through a sales tax exemption.

Estimated General Fund revenue loss

FY'18 \$7,536,200

FY'19 \$7,908,600

Method used to calculate the revenue loss

Sales tax micro simulation model.

2.014 Certain jet fuels.

36 M.R.S.A. § 1760.8-B.

Internal combustion engine fuels bought and used for the purpose of propelling jet or turbojet engine aircraft are exempt from the sales and use tax.

Reason(s) for exemption

This fuel is subject to an excise tax when used for domestic flights.

Estimated General Fund revenue loss

FY' 18 \$6,764,916

FY' 19 \$6,900,213

Method used to calculate the revenue loss

The number of gallons of jet fuel sold, which is reported on motor fuel tax returns, is used to estimate the cost of this exemption.

2.015 Coal, oil, and wood for cooking & heating homes.

36 M.R.S.A. § 1760.9.

Coal, oil, wood and all other fuels, except gas and electricity, when bought for cooking and heating in buildings designed and used for both human habitation and sleeping are exempt from tax. Kerosene or home heating oil that is prepackaged or dispensed from a tank for retail sale in containers with a capacity of 5 gallons or less, or the sale of any amount of wood pellets or any 100% compressed wood product intended for use in a wood stove or fireplace, or of any amount of firewood, is presumed to be purchased for residential use.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$48,108,200

FY' 19 \$53,880,400

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.016 Fuels for burning blueberry lands.

36 M.R.S.A. § 1760.9-A.

Sales of all fuels used in burning blueberry fields are exempt from the sales and use tax.

Reason(s) for exemption

Provide support for the blueberry industry.

Estimated General Fund revenue loss

FY'18 \$0 – 49,999

FY'19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.017 Residential electricity.

36 M.R.S.A. § 1760.9-B.

Sale and delivery of the first 750 kilowatt hours of residential electricity per month is exempt from the sales and use tax. For purposes of this subsection, “residential electricity” means electricity furnished to buildings designed and used for both human habitation and sleeping, with the exception of hotels. Where residential electricity is furnished through one meter to more than one residential unit and where the transmission and distribution utility applies its tariff on a per unit basis, the furnishing of electricity is considered a separate sale for each unit to which the tariff applies. For purposes of this subsection, “delivery” means transmission and distribution. Off-peak residential electricity used for space heating or water heating by means of an electric thermal storage device is also exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY’ 18 \$19,462,800

FY’ 19 \$21,217,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.018 Residential gas.

36 M.R.S.A. § 1760.9-C.

Sales of gas when bought for cooking and heating in buildings designed and used for both human habitation and sleeping, with the exception of hotels, are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$10,966,200

FY' 19 \$11,632,600

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.019 Fuel and electricity used at a manufacturing facility.

36 M.R.S.A. § 1760.9-D.

Ninety-five percent of the sale price of all fuel and electricity purchased for use at a manufacturing facility is exempt from the sales and use tax. For purposes of this subsection, “sale price” includes, in the case of electricity, any charge for transmission and distribution.

Ninety-five percent of the sale price of fabrication services for the production of fuel for use at a manufacturing facility as defined in section 1752, subsection 6-A.

Reason(s) for exemption

Provide an economic development incentive to manufacturers by subsidizing their purchases of fuel and electricity used at manufacturing facilities.

Estimated General Fund revenue loss

FY’18 \$21,089,516

FY’19 \$22,586,871

Method used to calculate the revenue loss

Data is collected from sales and use tax returns.

2.020 Fuel oil or coal which becomes an ingredient or component part.

36 M.R.S.A. § 1760.9-G.

Fuel oil or coal, the by-products from the burning of which, become an ingredient or component part of tangible personal property for later sale are exempt.

Reason(s) for exemption

Avoid pyramiding of the sales tax.

Estimated General Fund revenue loss

FY'18 \$0 - \$49,999

FY'19 \$0 - \$49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.021 Fuel used in certain agricultural production.

36 M.R.S.A. § 1760.9-H.

Ninety-five percent of the sales price of all fuel purchased for use at a greenhouse facility occupying at least 1,000,000 square feet of indoor space operated by an agricultural employer that employs at least 100 employees and is engaged in the year-round commercial production of fruits or vegetables is exempt from tax. Repealed December 31, 2019.

Reason(s) for exemption

Provide financial support to a certain class of taxpayers by exempting their purchases from the sales and use tax.

Estimated General Fund revenue loss

FY' 18 \$283,137

FY' 19 \$291,631

Method used to calculate the revenue loss

Based on the original fiscal note for the enacting legislation.

2.022 Certain returnable containers.

36 M.R.S.A. § 1760.12.

Sales of returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling are exempt from the sales and use tax.

Reason(s) for exemption

The decision was made not to impose the sales tax on returnable bottle and can deposits.

Estimated General Fund revenue loss

FY' 18 \$1,852,256

FY' 19 \$1,907,824

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.023 Packaging materials.

36 M.R.S.A. § 1760.12-A.

Sales of containers, boxes, crates, bags, cores, twines, tapes, bindings, wrappings, labels and other packing, packaging and shipping materials are exempt from the sales and use tax when purchased by persons engaged in the business of packing, packaging, shipping and transporting tangible personal property; or when purchased by persons for use in packing, packaging or shipping tangible personal property sold by them or on which they have performed the service of cleaning, pressing, dyeing, washing, repairing, or reconditioning in their regular course of business that are transferred to the possession of the purchaser of that tangible personal property.

This exemption includes materials that are used to insure the delivery of the contents in physically good condition. There is no distinction between non-returnable and returnable packaging materials. The exemption applies to both. In addition the exemption does not apply unless the materials pass into the possession of the customer of the shipper. Packaging items used by a business to store goods are subject to tax.

Reason(s) for exemption

Subsidize the purchase of packaging materials by businesses.

Estimated General Fund revenue loss

FY' 18 \$31,722,600

FY' 19 \$32,996,600

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.024 Free publications and components of publications.

36 M.R.S.A. § 1760.14-A.

Any publication that is purchased for distribution without charge as a free publication; and printed paper materials, including advertising flyers and promotional materials, purchased for inclusion in a publication are exempt from the sales and use tax.

Reason(s) for exemption

The publications are distributed free of charge. Components of publications, such as advertising flyers were exempt from tax prior to the repeal of the sales tax exemption for certain publications.

Estimated General Fund revenue loss

FY' 18 \$1,994,889

FY' 19 \$2,034,787

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.025 Sales to hospitals, research centers, churches and schools.

36 M.R.S.A. § 1760.16 and 2557.3.

- A. Sales to incorporated hospitals.
- B. Sales to incorporated nonprofit nursing homes licensed by the Department of Health and Human Services.
- C. Sales to incorporated nonprofit residential care facilities licensed by the Department of Health and Human Services.
- D. Sales to incorporated nonprofit assisted housing programs for the elderly licensed by the Department of Health and Human Services.
- E. Sales to incorporated nonprofit home health agencies certified under the United States Social Security Act of 1965, Title XVIII, as amended.
- F. Sales to incorporated nonprofit rural community health centers and to certain incorporated nonprofit federally qualified health centers.
- G. Sales to incorporated nonprofit dental health centers.
- G-1. Sales to incorporated nonprofit medical clinics whose sole mission is to provide free medical care to the indigent or uninsured.
- H. Sales to incorporated nonprofit organizations organized for the sole purpose of conducting medical research.
- I. Sales to incorporated nonprofit organizations organized for the purpose of establishing and maintaining laboratories for scientific study and investigation in the field of biology or ecology.
- J. Sales to institutions incorporated as nonprofit corporations for the purpose of operating educational television or radio stations.
- K. Sales to schools.
- L. Sales to incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia.
- M. Sales to regularly organized churches or houses of religious worship.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$6,000,000 or more

FY' 19 \$6,000,000 or more

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|-----------------------------|-------|
| Hospitals | 56 |
| Nursing homes | 28 |
| Home health care | 26 |
| Rural community health | 76 |
| Dental health centers | 11 |
| Residential care facilities | 101 |
| Medical research orgs. | 28 |
| Biology/ecology labs | 18 |
| Educational TV/radio | 13 |
| Schools | 702 |
| Literacy assistance orgs. | 25 |
| Assist children w/dyslexia | 4 |
| Churches | 2,245 |
| Free medical clinics | 2 |
| Fed qualified health center | 1 |

2.026 Rental charges for living quarters in nursing homes and hospitals.

36 M.R.S.A. § 1760.18.

Rental charged for living or sleeping quarters in an institution licensed by the State for the hospitalization or nursing care of human beings.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.027 Sales to certain nonprofit residential child care institutions

36 M.R.S.A. § 1760.18-A and 2557.4.

Sales to incorporate private nonprofit residential child care facilities that are licensed by the Department of Health and Human Services as child care facilities, are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

101

2.028 Rental of living quarters at schools.

36 M.R.S.A. § 1760.19.

Rental charged for living quarters, sleeping or housekeeping accommodations to any student necessitated by attendance at a school as defined in subsection 16.

Reason(s) for exemption

Provide financial assistance to students by exempting rental charges for living quarters at schools from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$7,408,800

FY' 19 \$7,663,600

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.029 Rental charges on continuous residence for more than 28 days.

36 M.R.S.A. § 1760.20.

Rental charged to any person who resides continuously for 28 days or more at any one hotel, rooming house, and tourist or trailer camp if:

- A. The person does not maintain a primary residence at some other location; or
- B. The person is residing away from that person's primary residence in connection with employment or education.

Tax paid during the initial 28-day period must be refunded to the taxpayer. The retailer may take a credit on the sales tax return filed by the retailer covering the month in which the refund was made.

This exemption from tax includes the rental charges for all tenant-occupied stationary and mobile homes.

Reason(s) for exemption

Living quarters are a necessity of life.

Estimated General Fund revenue loss

FY' 18 \$210,494,200

FY' 19 \$217,599,200

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.030 Automobiles used in driver education programs.

36 M.R.S.A. § 1760.21.

Sales to automobile dealers, registered under section 1754-B, of automobiles for the purpose of equipping the same with dual controls and loaning or leasing the same to public or private secondary schools without consideration or for a consideration of not more than \$1 a year, and used exclusively by such schools in driver education programs.

Reason(s) for exemption

Subsidize driver education programs offered by secondary schools.

Estimated General Fund revenue loss

FY'18 \$0 - 49,999

FY'19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.031 Certain loaner vehicles.

36 M.R.S.A. § 1760.21-A.

The use of a loaner vehicle provided by a new vehicle dealer, as defined in Title 29-A, section 851, subsection 9, to a service customer pursuant to a manufacturer's or a dealer's warranty is exempt from tax.

Reason(s) for exemption

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 or a dealer's warranty.

Estimated General Fund revenue loss

FY'18 \$291,361

FY'19 \$297,188

Method used to calculate the revenue loss

Review of audit activity.

2.032 Automobiles to amputee veterans.

36 M.R.S.A. § 1760.22.

Sales of automobiles to veterans who are granted free registration of such vehicles by the Secretary of State under Title 29-A, section 523, subsection 1 are exempt from sales tax. Certificates of exemption or refunds of taxes paid must be granted under such rules or regulations as the State Tax Assessor may prescribe.

Reason(s) for exemption

Subsidize the purchase of automobiles by amputee veterans.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.033 Certain vehicles purchased or leased by nonresidents.

36 M.R.S.A. § 1760.23-C.

Sales or leases of the following vehicles to a person that is not a resident of this State, if the vehicle is intended to be driven or transported outside the State immediately upon delivery:

- A. Motor vehicles other than those that are being leased for a period of less than one year;
- B. Semitrailers;
- C. Aircraft, if not exempted under subsection 88-A; and
- E. Camper trailers, including truck campers, other than those that are being leased for a period of less than one year.

If the vehicles are registered for use in the State within 12 months of the date of purchase, the person seeking registration is liable for use tax on the basis of the original purchase price.

Reason(s) for exemption

The vehicles are being purchased or leased by nonresidents.

Estimated General Fund revenue loss

FY'18 \$250,000 – 999,999

FY'19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.034 Certain vehicles purchased or leased by qualifying resident businesses.

36 M.R.S.A. § 1760.23-D.

The sale or lease of a motor vehicle, except an automobile rental for a period of less than one year or an all-terrain vehicle or snowmobile as defined in Title 12, section 13001, to a qualifying resident business if the vehicle is intended to be driven or transported outside the State immediately upon delivery and intended to be used exclusively in the qualifying resident business's out-of-state business activities.

Reason(s) for exemption

The vehicles are being purchased or leased by qualifying resident businesses for use outside of this State.

Estimated General Fund revenue loss

FY' 18 \$1,080,463

FY' 19 \$1,102,072

Method used to calculate the revenue loss

Review of audit activity.

2.035 Funeral Services.

36 M.R.S.A. § 1760.24.

“Sales of funeral services” are considered to mean sales of tangible personal property by a funeral director insofar as such sales are a necessary part of the preparation of a human body for burial or cremation, or a necessary part of the ceremony conducted by the funeral director prior to or in connection with the burial or cremation of a human body. Sales by funeral directors of caskets, vaults, boxes, clothing, crematory urns, or other similar items generally referred to as “funeral furnishings”, are exempt from tax. Items sold as an accommodation rather than as an integral part of the funeral service (or preparation therefore), such as sale of flowers, or items of a similar character, are taxable.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$6,722,800

FY' 19 \$6,958,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.036 Watercraft purchased by nonresidents.

36 M.R.S.A. § 1760.25.

Sales to or use by a person that is not a resident of this State of watercraft or materials used in watercraft.

- A. The following are exempt when the sale is made in this State to a person that is not a resident of this State and the watercraft is sailed or transported outside the State within 30 days of delivery by the seller:
 - 1. A watercraft;
 - 2. Sales, under contract for the construction of a watercraft, or materials to be incorporated in that watercraft; and
 - 3. Sales of materials to be incorporated in the watercraft for the repair, alteration, refitting, reconstruction, overhaul or restoration of that watercraft.

- B. The sale of a watercraft is exempt if the watercraft is purchased and used by the present owner outside the State if the watercraft is registered outside the State by an owner who is an individual and the watercraft is present in the State not more than 30 days for a purpose other than temporary storage during the 12 months following its purchase.

- C. If, for a purpose other than temporary storage, a watercraft is present in the State for more than 30 days during the 12-month period following its date of purchase, the exemption applies only to 60% of the sales price of the watercraft or materials for the construction, repair, alteration, refitting, reconstruction, overhaul or restoration of the watercraft, as specified in paragraph A.

Reason(s) for exemption

Economic development.

Estimated General Fund revenue loss

FY' 18 \$250,000 - 999,999

FY' 19 \$250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.037 Snowmobile; all-terrain vehicle.

36 M.R.S.A. § 1760.25-C.

The sale of a snowmobile, as defined in Title 12, section 13001, subsection 25, or an all-terrain vehicle, as defined in Title 12, section 13001, subsection 3, to an individual who is not a resident of this State, unless the seller is a retailer in this State.

Reason(s) for exemption

Exempt nonresidents from paying the sales and use tax unless the seller is a retailer in this State.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.038 Nonprofit fire departments and nonprofit ambulance services.

36 M.R.S.A. § 1760.26 and 2557.5.

Sales to incorporated nonprofit fire departments, sales to incorporated nonprofit ambulance services, sales to air ambulance services that are limited liability companies all of whose members are nonprofit organizations and sales of tangible personal property leased to air ambulance services that are limited liability companies all of whose members are nonprofit organizations are exempt from sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$250,000 - 999,999

FY' 19 \$250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|------------------------------|----|
| Nonprofit fire departments | 82 |
| Nonprofit ambulance services | 38 |

2.039 Community mental health facilities, community mental retardation facilities and community substance abuse facilities.

36 M.R.S.A. § 1760.28 and 2557.6.

Sales to the following mental health facilities, metal retardation facilities or substance abuse facilities are exempt from the sales and use tax:

- A. Contractors under or receiving support under the Federal Community Mental Health Centers Act, or its successors; or
- B. Receiving support from the Department of Health and Human Services pursuant to Title 5, section 20005 or Title 34-B, section 3604, 5433 or 6204.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$50,000 - 249,999

FY'19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|-------------------------------|-----|
| Mental health facilities | 207 |
| Mental retardation facilities | 219 |
| Substance abuse facilities | 12 |

2.040 Water pollution control facilities.

36 M.R.S.A. § 1760.29.

Sales of water pollution control facilities, certified as such by the Commissioner of Environmental Protection, and sales of parts or accessories of a certified facility, materials for the construction, repair or maintenance of a certified facility and chemicals or supplies that are integral to the effectiveness of a certified facility.

Reason(s) for exemption

Subsidize the installation of pollution control facilities.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.041 Air pollution control facilities.

36 M.R.S.A. § 1760.30.

Sales of air pollution control facilities, certified as such by the Commissioner of Environmental Protection, and sales of parts or accessories of a certified facility, materials for the construction, repair or maintenance of a certified facility and chemicals or supplies that are integral to the effectiveness of a certified facility.

Reason(s) for exemption

Subsidize the installation of pollution control facilities.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.042 Machinery and equipment.

36 M.R.S.A. § 1760.31.

Sales of machinery and equipment:

- A. For use by the purchaser directly and primarily in the production of tangible personal property intended to be sold or leased ultimately for final use or consumption or in the production of tangible personal property pursuant to a contract with the Federal Government or any agency thereof, or, in the case of sales occurring after June 30, 2007, in the generation of radio and television broadcast signals by broadcast stations regulated under 47 Code of Federal Regulations, Part 73. This exemption applies even if the purchaser sells the machinery or equipment and leases it back in a sale and leaseback transaction. This exemption also applies whether the purchaser agrees before or after the purchase of the machinery or equipment to enter into the sale and leaseback transaction and whether the purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs; and
- B. To a bank, leasing company or other person as part of a sale and leaseback transaction, by a person that uses the machinery or equipment as described in paragraph A, whether the original purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs.

Reason(s) for exemption

Provide an economic development incentive to manufacturers by subsidizing their purchases of machinery and equipment used at manufacturing facilities.

Estimated General Fund revenue loss

FY' 18 \$48,421,800

FY' 19 \$50,283,800

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.043 Machinery and equipment for research.

36 M.R.S.A. § 1760.32.

Sales of machinery and equipment for use by the purchaser directly and exclusively in research and development in the experimental and laboratory sense and sales of machinery, equipment, instruments and supplies for use by the purchaser directly and primarily in biotechnology applications, including the application of technologies such as recombinant DNA techniques, biochemistry, molecular and cellular biology, immunology, genetics and genetic engineering, biological cell fusion techniques and new bioprocesses using living organisms or parts of organisms to produce or modify products, improve plants or animals, develop microorganisms for specific uses, identify targets for small-molecule pharmaceutical development, transform biological systems and useful processes and products or to develop microorganisms for specific uses. Equipment and supplies used for biotechnology include but are not limited to microscopes, diagnostic testing materials, glasswares, chemical reagents, computer software and technical books and manuals. "Research and development" includes testing and evaluation for the purposes of approval and compliance with regulatory standards for biotechnological products or materials. "Research and development" does not include the ordinary testing or inspecting of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical or similar projects.

Reason(s) for exemption

Provide an economic development incentive by subsidizing the purchase of these goods.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.044 Diabetic supplies.

36 M.R.S.A. § 1760.33.

Diabetic supplies includes all equipment and supplies, whether medical or otherwise, used in the diagnosis or treatment of diabetes. Sales of insulin, antidiabetic drugs, testing supplies such as Clinitest, Clinistix and Tes-Tape, and other items used only in the treatment of diabetes are exempt from tax. Sales of hypodermic syringes and needles to diabetic patients are exempt. Sales of items that are not used only in the diagnosis or treatment of diabetes, and which are not prescription medicines, should be regarded as taxable unless the purchaser has provided evidence such as a statement from a doctor that the patient has been diagnosed as diabetic, and unless the purchaser states that the items being purchased are to be used in the treatment of his or her diabetes.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$1,333,918

FY' 19 \$1,373,936

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.045 Sales through coin-operated vending machines.

36 M.R.S.A. § 1760.34.

Sales of products for internal human consumption when sold through coin-operated vending machines by a person more than 50% of whose gross receipts from the retail sale of tangible personal property are derived from sales through vending machines. The status of products sold through vending machines depends upon the product being sold and the type of business activity of the retailer. “Coin-operated vending machines” do not include “snack boxes” that require purchasers to be on their honor in paying for the selected items.

This exemption only applies to sales of products for internal human consumption by a person who primarily is a vending company. Although the exemption exists for the sale, the items are subject to tax based on the seller’s cost. “Products for internal human consumption” means: “edible products sold for human nutrition or refreshment and containers or utensils provided simultaneously for the consumption of these products. It does not include spirituous, malt or vinous liquors, medicines, tonics, vitamins, dietary supplements or cigarettes”. See Title 36 MRSA section 1752, subsection 5-A.

Items that come within the scope of this definition are sandwiches, chips, ice cream, candy, soft drinks and other food items. Also included within this definition are the paper plates, cups, utensils and packaging materials for these items. Chewing gum is not for “internal human consumption”.

Items, other than those mentioned above, when sold through vending machines are retail sales and subject to tax on the selling price. Examples of such items are cigarettes, toys, gum, health and beauty aids and other goods not for “internal human consumption”.

When 50% or less of a retailer’s retail sales take place through coin-operated vending machines, the retailer does not qualify for this exemption.

Reason(s) for exemption

Lower the administrative burden on vending machine companies.

Estimated General Fund revenue loss

FY’18 \$471,561

FY’19 \$480,993

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.046 Goods and services for seeing eye dogs.

36 M.R.S.A. § 1760.35.

Sales of tangible personal property and taxable services essential for the care and maintenance of Seeing Eye dogs used to aid any blind person are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.047 Regional planning commissions and councils of government.

36 M.R.S.A. § 1760.37 and 2557.7.

Sales to regional planning commissions and councils of government, which are established in accordance with Title 30-A are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.048 Residential water.

36 M.R.S.A. § 1760.39.

Sales of water purchased for use in buildings designed and used for both human habitation and sleeping, with the exception of hotels, are exempt from tax. Sales of water for all commercial uses are taxable. The sale of bottled water delivered by the seller is governed by whom the purchaser is.

This exemption does not apply to sales of bottled water in retail stores, such as grocery stores, convenience stores, department stores and the like. These sales are taxable since they are governed by the definition of “grocery staple”, which specifically excludes water.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY’ 18 \$15,405,600

FY’ 19 \$15,925,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.049 Manufactured housing.

36 M.R.S.A. § 1760.40.

Sales of manufactured housing includes:

- A. Used manufactured housing; and
- B. New manufactured housing to the extent of all costs, other than materials, included in the sale price, but the exemption may not exceed 50% of the sale price.

When a new manufactured house is sold, the sales tax applies to either the portion of the sale price that represents the cost of materials or 50% of the sale price, whichever is greater. No sales or use tax applies to sales of manufactured housing that has been permanently incorporated into real property by the seller, although the seller would be subject to a tax on its purchase of the home. Sales of used manufactured houses are exempt.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY'18 \$32,709,549

FY'19 \$33,200,193

Method used to calculate the revenue loss

Estimated based on information from sales tax returns.

2.050 Certain instrumentalities of interstate or foreign commerce.

36 M.R.S.A. § 1760.41.

The sale of a vehicle, railroad rolling stock, aircraft or watercraft that is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after that sale and that is used by the purchaser not less than 80% of the time for the next 2 years as an instrumentality of interstate or foreign commerce. The State Tax Assessor may for good cause extend for not more than 60 days the time for placing the instrumentality in use in interstate or foreign commerce. For purposes of this subsection, property is “placed in use as an instrumentality of interstate or foreign commerce” by its carrying of, or providing the motive power for the carrying of, a bona fide payload in interstate or foreign commerce, or by being dispatched to a specific location at which it will be loaded upon arrival with, or will be used as motive power for the carrying of, a payload in interstate or foreign commerce. For purposes of this subsection, “bona fide payload” means a cargo of persons or property transported by a contract or common carrier for compensation that exceeds the direct cost of carrying that cargo or pursuant to a legal obligation to provide service as a public utility or a cargo of property transported in the reasonable conduct of the purchaser’s own nontransportation business in interstate commerce. A bus with a capacity of at least 47 passengers that is contracted to transport passengers of a cruise ship that originated and will terminate outside of Maine qualifies as use in interstate or foreign commerce while transporting those passengers within Maine.

Reason(s) for exemption

Interstate commerce

Estimated General Fund revenue loss

FY’ 18 \$1,000,000 – 2,999,999

FY’ 19 \$1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.051 Historical societies, museums and certain memorial foundations.

36 M.R.S.A. § 1760.42 and 2557.8.

Sales to incorporated nonprofit memorial foundations that primarily provide cultural programs free to the public, historical societies and museums are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

429

2.052 Child care facilities.

36 M.R.S.A. § 1760.43 and 2557.9.

Sales to licensed, incorporated nonprofit child care facilities are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$50,000 - 249,999

FY'19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

53

2.053 Certain church-affiliated residential homes.

36 M.R.S.A. § 1760.44 and 2557.10.

Sales to an incorporated, church-affiliated nonprofit organization that operates a residential home for adults.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

6

2.054 Certain property purchased outside the State.

36 M.R.S.A. § 1760.45.

Sales of property purchased and used by the present owner outside the State are exempt from tax:

- A. If the property is an automobile, as defined in Title 29-A, section 101, subsection 7 and if the owner is an individual who was, at the time of purchase, a resident of the other state;
- B. If the property is a snowmobile or all-terrain vehicle as defined in Title 12, section 13001 and the purchaser is an individual who is not a resident of the State.
- C. If the property is an aircraft not exempted under subsection 88 or 88-A and the owner at the time of purchase was a resident of another state or tax jurisdiction and the aircraft is present in this State not more than 20 days during the 12 months following its purchase, exclusive of days during which the aircraft is in this State for the purpose of undergoing “major alterations”, “major repairs” or “preventive maintenance” as those terms are described in 14 Code of Federal Regulations, Appendix A to Part 43, as in effect on January 1, 2005. The location of an aircraft on the ground in the State at any time during a day is considered presence in the State for that entire day. A day must be disregarded if at any time during that day the aircraft is used to provide free emergency or compassionate air transportation arranged by an incorporated nonprofit organization providing free air transportation in private aircraft by volunteer pilots so children and adults may access life-saving medical care.
- D. If the property is brought into this State solely to conduct activities directly related to a declared state disaster or emergency, at the request of the State, a county, city, town or political subdivision of the State or a registered business, the property is owned by a person not otherwise required to register as a seller under section 1754-B and the property is present in this State only during a disaster period.
- E. For more than 12 months in all other cases.

Property, other than automobiles, snowmobiles, all-terrain vehicles and aircraft, that is required to be registered for use in this State does not qualify for this exemption unless it was registered by its present owner outside this State more than 12 months prior to its registration in this State. If property required to be registered for use in this State was not required to be registered for use outside this State, the owner must be able to document actual use of the property outside this State for more than 12 months prior to its registration in this State. For purposes of this subsection “use” does not include storage but means actual use of the property for a purpose consistent with its design.

Reason(s) for exemption

Exempt property that was purchased and used out-of-state before it was brought into this State.

Estimated General Fund revenue loss

FY'18 \$1,000,000 -2,999,999

FY'19 \$1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.055 Residential facilities for medical patients and their families.

36 M.R.S.A. § 1760.46 and 2557.11.

Sales to incorporated nonprofit organizations providing:

A. Temporary residential accommodations to pediatric patients suffering from critical illness or disease, such as cancer, or who are accident victims, and adult patients with cancer, or the families of the patients.

B. Temporary residential accommodations, or food, or both, to hospital patients or to the families of hospital patients.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

5

2.056 Emergency shelter and feeding organizations.

36 M.R.S.A. § 1760.47-A and 2557.12.

Beginning October 1, 1996, sales to incorporated nonprofit organizations that provide free temporary emergency shelter or food for underprivileged individuals in this State are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

134

2.057 Child abuse and neglect councils; child advocacy organizations; community action agencies.

36 M.R.S.A. § 1760.49 and 2557.13.

Except for the sale, storage or use for activities that are mainly commercial enterprises, sales to the following organizations are exempt from tax:

- A. Incorporated nonprofit child abuse and neglect councils as defined in Title 22, section 3872, subsection 1-A;
- B. Statewide organizations that advocate for children and that are members of the Medicaid Advisory Committee;
- C. Community action agencies designated in accordance with Title 22, section 5324.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$250,000 - 999,999

FY' 19 \$250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|----------------------------------|----|
| Child abuse and neglect councils | 10 |
| Community action agencies | 11 |
| Medicaid advisory | 2 |

2.058 Certain libraries.

36 M.R.S.A. § 1760.50 and 2557.14.

Sales to any nonprofit free public lending library, which is funded in part or wholly by the State, any political subdivision of the State or the federal government is exempt from tax. Sales made by a library or a nonprofit corporation organized to support the library are exempt from sales tax as long as the proceeds from any sales are used to benefit the library.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

276

2.059 Veterans' Memorial Cemetery Associations.

36 M.R.S.A. § 1760.51 and 2557.15.

Sales to incorporated nonprofit Veterans' Memorial Cemetery Associations are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$0 - 49,999

FY'19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

3

2.060 Railroad track materials.

36 M.R.S.A. § 1760.52.

Railroad track materials purchased and installed on railroad lines located within the boundaries of the State are exempt from tax. The track materials shall include rail, ties, ballast, joint bars and associated materials, such as bolts, nuts, tie plates, spikes, culverts, steel, concrete or stone, switch stands, switch points, frogs, switch ties, bridge ties and bridge steel.

In order for a taxpayer to qualify for an exemption under this subsection, the taxpayer may not require any landowner to pay any fee or charge for maintenance or repair or to assume liability for crossings or rights-of-way if the landowner was not required to do so prior to July 1, 1981, and the taxpayer must continue to maintain crossings and rights-of-way which it was required to maintain on that date and may not remove the crossings if there is any objection to their being removed.

Reason(s) for exemption

Subsidizes the purchase of track materials.

Estimated General Fund revenue loss

FY'18 \$1,156,400

FY'19 \$1,313,200

Method used to calculate the revenue loss

Estimated based on information from sales tax returns and the sales tax micro-simulation model.

2.061 Nonprofit volunteer search and rescue organizations.

36 M.R.S.A. § 1760.53 and 2557.16.

Sales to incorporated nonprofit volunteer search and rescue organizations are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$0 - 49,999

FY'19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

12

2.062 Incorporated nonprofit hospice organizations.

36 M.R.S.A. § 1760.55 and 2557.17.

Sales to incorporated nonprofit hospice organizations, which provide a program of care for the physical and emotional needs of terminally ill patients, are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

30

2.063 Nonprofit youth organizations.

36 M.R.S.A. § 1760.56 and 2557.18.

Sales to nonprofit youth organizations whose primary purpose is to provide athletic instruction in a nonresidential setting, or to councils and local units of incorporated nonprofit national scouting organizations.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|------------------------------|-----|
| Athletic youth organizations | 316 |
|------------------------------|-----|

| | |
|---------------------------------|----|
| National scouting organizations | 24 |
|---------------------------------|----|

2.064 Self-help literature on alcoholism.

36 M.R.S.A. § 1760.57.

Sales of self-help literature relating to alcoholism to alcoholics anonymous groups are exempt from tax.

Reason(s) for exemption

Subsidize the sale of this literature by alcoholics anonymous groups through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.065 Portable classrooms.

36 M.R.S.A. § 1760.58.

Sales of tangible personal property to be physically incorporated in and become a part of portable classrooms for lease to schools entitled to exemption under subsection 16 are exempt from tax. If the portable classrooms are used for an otherwise taxable use within 2 years from the date of the first use, the lessor shall become liable for the use tax based on the original sale price.

Reason(s) for exemption

Subsidize the cost of portable classrooms that are to be leased to schools.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.066 Sales to certain incorporated nonprofit educational organizations.

36 M.R.S.A. § 1760.59 and 2557.19.

Sales to incorporated nonprofit educational organizations that are receiving, or have received, funding from the Department of Education, and that provide educational programs specifically designed for teaching young people how to make decisions about drugs, alcohol and interpersonal relationships at a residential youth camp setting are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

5

2.067 Sales to incorporated nonprofit animal shelters.

36 M.R.S.A. § 1760.60.

Sales to incorporated nonprofit animal shelters of tangible personal property used in the operation and maintenance of those shelters or in the maintenance and care of any animal, including wildlife, housed in those shelters are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

84

2.068 Construction contracts with exempt organizations.

36 M.R.S.A. § 1760.61 and 2557.31.

Sales of tangible personal property, to a construction contractor, that are to be physically incorporated in, and become a permanent part of, real property for sale to any organization or government agency provided exemption under this section (Title 36 MRSA section 1760), except as otherwise provided are exempt from tax.

This exemption only applies to property that will become physically attached to the realty of the exempt organization. It does not apply to supplies used by the contractor nor to any machinery or equipment purchased by the contractor, even though the equipment is being purchased specifically for the exempt job. For purposes of this exemption, contractors also include sub-contractors. If a contractor has an inventory of property on which tax has been paid and subsequently uses the property on an exempt job, the contractor would be eligible for refund provided the property meets the requirements stated above.

Sales to a construction contractor or its subcontractor of fabrication services that are to be physically incorporated in, and become a permanent part of, real property for sale to any organization or government agency provided exemption under this section (Title 36 MRSA section 2557), except as otherwise provided are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$1,000,000 - 2,999,999

FY' 19 \$1,000,000 - 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.069 Charitable suppliers of medical equipment.

36 M.R.S.A. § 1760.62 and 2557.20.

Sales to local branches of incorporated international nonprofit charitable organizations that lend medical supplies and equipment to persons free of charge are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

2

2.070 Organizations fulfilling the wishes of children with life-threatening diseases.

36 M.R.S.A. § 1760.63 and 2557.21.

Sales to incorporated nonprofit organizations whose sole purpose is to fulfill the wishes of children with life-threatening diseases, when their family or guardian is unable to otherwise financially fulfill those wishes, are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

9

2.071 Schools and school-sponsored organizations.

36 M.R.S.A. § 1760.64.

Sales of tangible personal property and taxable services by public and private elementary and secondary schools that otherwise qualify as schools under subsection 16, and by student organizations sponsored by those schools, including booster clubs and student or parent-teacher organizations, as long as the profits from such sales are used to benefit those schools or student organizations or are used for a charitable purpose are exempt from tax.

Public and private elementary and secondary schools making sales of candy bars, calendars, yearbooks, clothing, etc. are exempt from charging tax on such sales, provided the profits are used to benefit the school or student organization or are used for a charitable purpose.

Reason(s) for exemption

Provide support for schools and school-sponsored organizations when they are making sales to raise money to benefit the school, student organizations or charity.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.072 Monasteries and convents.

36 M.R.S.A. § 1760.65.

Sales of tangible personal property to incorporated nonprofit monasteries and convents for use in their operation and maintenance are exempt from tax. For the purpose of this subsection, “monasteries” and “convents” means the dwelling places of communities of religious persons.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY’ 18 \$0 - 49,999

FY’ 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

59

2.073 Incorporated nonprofit providers of certain support systems for single-parent families.

36 M.R.S.A. § 1760.66 and 2557.22.

Sales to incorporated nonprofit organizations engaged primarily in providing support systems for single-parent families for the development of psychological and economic self-sufficiency are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$0 - 49,999

FY'19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

20

2.074 Nonprofit home construction organizations.

36 M.R.S.A. § 1760.67 and 2557.23.

Sales to local branches of incorporated, nonprofit organizations whose purpose is to construct low-cost housing for low-income people are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

32

2.075 Vietnam veteran registries.

36 M.R.S.A. § 1760.69 and 2557.24.

Sales to incorporated, nonprofit organizations whose sole purpose is to create, maintain and update a registry of Vietnam veterans are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

None

2.076 Organizations providing certain services for hearing-impaired persons.

36 M.R.S.A. § 1760.70 and 2557.25.

Sales to incorporated, nonprofit organizations whose primary purposes are to promote public understanding of hearing impairment and to assist hearing-impaired persons through the dissemination of information about hearing impairment to the general public and referral to and coordination of community resources available to hearing-impaired persons are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

8

2.077 State-chartered credit unions.

36 M.R.S.A. § 1760.71 and 2557.26.

Sales to credit unions that are organized under the laws of this State are exempt from tax. This subsection shall remain in effect only for the time that federally chartered credit unions are, by reason of federal law, exempt from payment of state sales tax.

Reason(s) for exemption

Provide state chartered credit unions with the same sales tax exemption that federally chartered credit union have by federal law.

Estimated General Fund revenue loss

FY'18 \$0 - 49,999

FY'19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

State chartered credit unions - 14

Federal chartered credit unions exempt by Federal law - 96

2.078 Nonprofit housing development organizations.

36 M.R.S.A. § 1760.72 and 2557.27.

Sales to nonprofit organizations whose primary purpose is to develop housing for low-income people are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

159

2.079 Seedlings for commercial forestry use.

36 M.R.S.A. § 1760.73.

Sales of tree seedlings for use in commercial forestry are exempt from tax.

Reason(s) for exemption

Subsidize the purchase of tree seedlings to be used in commercial forestry.

Estimated General Fund revenue loss

FY'18 \$50,000 – 249,999

FY'19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.080 Property used in production.

36 M.R.S.A. § 1760.74.

Sales of tangible personal property that becomes an ingredient or component part of tangible personal property produced for later sale or lease, other than lease for use in this State, or that becomes an ingredient or component part of tangible personal property produced pursuant to a contract with the Federal Government or any agency of the Federal Government are exempt from tax.

Tangible personal property, other than fuel or electricity, that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property for later sale or lease, other than lease for use in this State, or that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property produced pursuant to a contract with the Federal Government or any agency of the Federal Government is exempt from tax.

Tangible personal property is “consumed or destroyed” or “loses its identity” in production if it has a normal physical life expectancy of less than one year as a usable item in the use to which it is applied.

Reason(s) for exemption

Avoid pyramiding of the sales and use tax.

Estimated General Fund revenue loss

FY’ 18 \$191,815,400

FY’ 19 \$199,704,400

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.081 Certain meals and lodging.

36 M.R.S.A. § 1760.75.

Meals or lodging provided to employees at their place of employment when the value of those meals or that lodging is allowed as a credit toward the wages of those employees are exempt from tax.

Reason(s) for exemption

The value of the meals or lodging is allowed as a credit toward the wages of the employees.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.082 Aircraft parts.

36 M.R.S.A. § 1760.76.

The sale or use in this State of replacement or repair parts of an aircraft used by a scheduled airline in the performance of service under 49 United States Code, Subtitle VII and Federal Aviation Administration regulations are exempt from tax.

Reason(s) for exemption

Economic development

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.083 Eye banks.

36 M.R.S.A. § 1760.77 and 2557.28.

Sales to nonprofit organizations whose primary purpose is to obtain, medically evaluate and distribute eyes for use in corneal transplantation, research and education are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

1

2.084 Farm animal bedding and hay.

36 M.R.S.A. § 1760.78.

Sales of organic bedding materials for farm animals and hay are exempt from tax.

Reason(s) for exemption

Provide support to farmers by subsidizing the purchase of these items.

Estimated General Fund revenue loss

FY'18 \$0 – 49,999

FY'19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.085 Electricity used for net billing.

36 M.R.S.A. § 1760.80.

Sale or delivery of kilowatt hours of electricity to net energy billing customers as defined by the Public Utilities Commission for which no money is paid to the electricity provider or to the transmission and distribution utility are exempt from tax.

Reason(s) for exemption

No money is paid to the electricity provider or to the transmission and distribution utility.

Estimated General Fund revenue loss

FY' 18 \$0 – 49,999

FY' 19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.086 Animal waste storage facility.

36 M.R.S.A. § 1760.81.

Any materials for the construction, repair or maintenance of an animal waste storage facility are exempt from tax. For the purposes of this section, “animal waste storage facility” means a structure or pit constructed and used solely for storing manure, animal bedding waste or other wastes generated by animal production. For a facility to be eligible for this exemption, the Commissioner of Agriculture, Conservation and Forestry must certify that a nutrient management plan has been prepared in accordance with Title 7, section 4204 for the farm utilizing that animal waste storage facility.

Reason(s) for exemption

Subsidize the construction of these facilities through an exemption from the sales tax.

Estimated General Fund revenue loss

FY’ 18 \$0 – 49,999

FY’ 19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.087 Sales of property delivered outside this State.

36 M.R.S.A. § 1760.82.

Sales of tangible personal property when the seller delivers the property to a location outside this State or to the United States Postal Service, a common carrier or a contract carrier hired by the seller for delivery to a location outside this State, regardless of whether the property is purchased F.O.B. shipping point or other point in this State and regardless of whether passage of title occurs in this State are exempt from tax.

Reason(s) for exemption

The goods are being shipped to a location outside of this State.

Estimated General Fund revenue loss

FY' 18 \$6,000,000 or more

FY' 19 \$6,000,000 or more

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.088 Sales of certain printed materials.

36 M.R.S.A. § 1760.83.

Sales of advertising or promotional materials printed on paper and purchased for the purpose of subsequently transporting such materials outside the State for use by the purchaser thereafter solely outside the State.

If a retailer purchases printed advertising or promotional materials, like flyers, pamphlets or brochures, for the purpose of mailing them directly out-of-state or for inclusion as “stuffers” in goods being delivered out-of-state, the purchase is exempt from tax.

Reason(s) for exemption

The advertising or promotional materials are being transported outside of this State for use by the purchaser solely outside of this State.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.089 Centers for innovation.

36 M.R.S.A. § 1760.84 and 2557.29.

Sales to centers for innovation as described in Title 5, section 13141 are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'18 \$0 – 49,999

FY'19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

2

2.090 Certain sales by auxiliary organizations of the American Legion.

36 M.R.S.A. § 1760.85.

Sales of meals and related items and services by a nonprofit auxiliary organization of the American Legion in connection with a fund-raising event sponsored by the auxiliary organization are exempt from tax if the meals and related items and services are provided in a room that is separate from the lounge facilities, if any, of the American Legion and patrons are prohibited from taking alcoholic beverages from the lounge facilities to the separate room where the meals and related items and services are provided.

Reason(s) for exemption

Provide support to these organizations by subsidizing their sales of meals and related items and services by exempting them from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.091 Pine Tree Development Zone businesses; reimbursement of certain taxes.

36 M.R.S.A. § 2016

A reimbursement of sales and use tax is allowed with respect to the sale or use of tangible personal property that is to be physically incorporated in and becomes a permanent part of real property that is owned by or sold to a qualified Pine Tree Development Zone business and is used directly and primarily by that business in one or more qualified business activities.

Reason(s) for exemption

Encourage economic development in certain regions of the State.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.092 Sales of tangible personal property to qualified development zone businesses.

36 M.R.S.A. § 1760.87.

Beginning July 1, 2005, sales of tangible personal property to a qualified Pine Tree Development Zone business, as defined in Title 30-A, section 5250-I, subsection 17, for use directly and primarily in one or more qualified business activities, as defined in Title 30-A, section 5250-I, subsection 16. The exemption provided by this subsection is limited for each qualified Pine Tree Development Zone business to sales occurring within a period of 10 years in the case of a business located in a tier 1 location, as defined in Title 30-A, section 5250-I, subsection 21-A, and 5 years in the case of a business located in a tier 2 location, as defined in Title 30-A, section 5250-I, subsection 21-B, from the date the business is certified pursuant to Title 30-A, section 5250-O or until December 31, 2028, whichever occurs first.

Reason(s) for exemption

Encourage economic development in certain regions of the State.

Estimated General Fund revenue loss

FY' 18 \$1,000,000 – 2,999,999

FY' 19 \$1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

237

2.093 Sales or leases of certain aircraft.

36 M.R.S.A. § 1760.88.

Sales or leases of aircraft that weigh over 6,000 pounds, that are propelled by one or more turbine engines or that are in use by a Federal Aviation Administration classified 135 operator.

Reason(s) for exemption

Most of these aircraft are in this State for short periods of time.

Estimated General Fund revenue loss

FY' 18 \$485,320

FY' 19 \$499,879

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.094 Sales of aircraft and parts.

36 M.R.S.A. § 1760.88-A.

Sales, use or lease of aircraft and sales of repair and replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or components are exempt from sales and use tax from July 1, 2011 to June 30, 2033.

Reason(s) for exemption

Provide an incentive for the purchase, repair and overhaul or rebuilding of aircraft in the State.

Estimated General Fund revenue loss

FY' 18 \$758,312

FY' 19 \$781,062

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.095 Sales of qualified snowmobile trail grooming equipment.

36 M.R.S.A. § 1760.90.

Sales to incorporated nonprofit snowmobile clubs of snowmobiles and snowmobile trail grooming equipment used directly and exclusively for the grooming of snowmobile trails is exempt from sales and use tax.

Reason(s) for exemption

Subsidize the repair and maintenance of snowmobile trails.

Estimated General Fund revenue loss

FY' 18 \$100,730

FY' 19 \$103,753

Method used to calculate the revenue loss

Estimate of the number of entities that could use the exemption and their purchases of tangible personal property that would be exempt.

2.096 Certain sales of electrical energy.

36 M.R.S.A. § 1760.91.

Sales or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by the wholly owned subsidiary.

Reason(s) for exemption

The transactions are between a parent corporation and its wholly owned subsidiary.

Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.097 Certain vehicle rentals.

36 M.R.S.A. § 1760.92.

The rental for a period of less than one year of an automobile when the rental is to the service customer of a new vehicle dealer, pursuant to a manufacturer's or new vehicle dealer's warranty and the rental fee is paid by that new vehicle dealer or warrantor.

Reason(s) for exemption

The rental fee is included in the warranty.

Estimated STAR Fund revenue loss

FY' 18 \$0 – 49,999

FY' 19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.098 Plastic bags sold to redemption centers.

36 M.R.S.A. § 1760.93.

Sales to a local licensed redemption center of plastic bags used by the redemption center to sort, store or transport returnable beverage containers are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to redemption centers through an exemption from the sales and use tax.

The Estimated General Fund revenue loss

FY' 18 \$37,505

FY' 19 \$38,630

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

2.099 Positive airway pressure equipment & supplies

36 M.R.S.A. § 1760.94.

Positive airway pressure equipment and supplies sold or leased for personal use are exempt from sales and use tax.

Reason(s) for exemption

Necessity of life

The Estimated General Fund revenue loss

FY' 18 \$250,000 – 999,999

FY' 19 \$250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.100 Sales of certain adaptive equipment.

36 M.R.S.A. § 1760.95.

Sales to persons with a disability or a person at the request of a person with a disability of adaptive equipment for installation in or on a motor vehicle to make that vehicle operable or accessible by a person with a disability who is issued a disability plate or placard by the Secretary of State pursuant to Title 29-A, section 521.

Reason(s) for exemption

Subsidize the purchase of adaptive equipment needed to modify motor vehicles for persons with a disability.

The Estimated General Fund revenue loss

FY' 18 \$74,505

FY' 19 \$76,739

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

2.101 Certain veterans' support organizations.

36 M.R.S.A. § 1760.98 and 2557.37.

Sales to incorporated nonprofit organizations organized for the purpose of providing direct supportive services in the State to veterans and their families living with service-related post-traumatic stress disorder or traumatic brain injury.

Reason(s) for exemption

Provide financial support to certain organizations serving veterans by exempting their purchases from the sales and use tax.

Estimated General Fund revenue loss

FY'18 \$20,442

FY'19 \$21,260

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

Number of exemptions on file

2

2.102 Nonprofit library collaboratives.

36 M.R.S.A. § 1760.99 and 2557.38.

Sales to nonprofit collaboratives of academic, public, school and special libraries that provide support for library resource sharing, promote quality library information services and support the cultural, educational and economic development of the State are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$0 – 49,999

FY' 19 \$0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.103 Certain Veterans' Service Organizations.

36 M.R.S.A. § 1760.100.

Sales to an organization that provides services to veterans and their families that is chartered under 36 United States Code, Subtitle II, Part B, including posts or local offices of that organization, and that is recognized as a veterans' service organization by the United States Department of Veterans Affairs.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY' 18 \$91,822

FY' 19 \$95,954

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

Number of exemptions on file

1

2.104 Trade-in credits.

36 M.R.S.A. § 1765.

When one or more of the following items of tangible personal property are traded in toward the sale price of another of the same kind of the following items, the sales and use tax shall be levied only upon the difference between the sale price of the purchased property and the trade-in allowance of the property taken in trade, except for transactions between dealers involving exchange of the property from inventory:

1. Motor vehicles;
3. Watercraft;
4. Aircraft;
6. Chain saws;
7. Special mobile equipment;
8. Trailers and truck campers.

Reason(s) for exemption

The value of the trade-in was taxed when the product was originally purchased.

Estimated General Fund revenue loss

FY' 18 \$35,854,701

FY' 19 \$37,109,616

Method used to calculate the revenue loss

Information from tax returns.

2.105 Returned merchandise donated to charity.

36 M.R.S.A. § 1863.

No use tax is imposed on the donation of merchandise by a retailer to an organization exempt from taxation under the United States Internal Revenue Code, section 501c (3), as amended, when the merchandise has been returned to the retailer by the purchaser and the retailer then gives to the purchaser an allowance in cash or by credit pursuant to warranty or when the full price of the merchandise returned is refunded, either in cash or by credit, to the purchaser.

Reason(s) for exemption

Provide an incentive for donations to nonprofit organizations.

Estimated General Fund revenue loss

FY' 18 \$50,000 - 249,999

FY' 19 \$50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.106 Merchandise donated from a retailer's inventory to exempt organizations.

36 M.R.S.A. § 1864.

A use tax is not imposed on the donation of merchandise by a retailer from inventory to an organization, if sales to that organization are exempt from sales tax under section 1760.

Reason(s) for exemption

Provide an incentive for donations to exempt organizations.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.107 Refund of sales tax on goods removed from the State.

36 M.R.S.A. § 2012.

When a business which operates from fixed locations within and without this State purchases supplies and equipment in this State, places them in inventory in this State, and subsequently withdraws them from inventory either for use at a location of the business in another taxing jurisdiction or for fabrication, attachment or incorporation into other tangible personal property for use at a location of the business in another taxing jurisdiction, without having made use other than storage or such fabrication, attachment or incorporation within this State, it may request a refund of Maine sales tax paid at the time of purchase, provided it maintains inventory records by which the acquisition and disposition of such supplies and equipment purchased can be traced. No refund shall be made where the taxing jurisdiction to which the supplies and equipment are removed levies a sales or use tax. Such refunds must be requested in accordance with section 2011 (Overpayment; refunds).

Reason(s) for exemption

The goods are being used outside of the State.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.108 Refund of sales tax on depreciable machinery and equipment purchases.

36 M.R.S.A. § 2013.

This section applies to persons engaged in commercial farming, commercial fishing (including commercial aquaculture), and/or commercial wood harvesting, and persons operating commercial nurseries and greenhouses. Although this is a refund provision, it does provide an exemption for purchases made after certification. Prior to certification or in cases where an exemption card cannot be used to purchase a certain item, the purchaser can seek a refund. The exemption card, which is issued by Maine Revenue Services, can be used to purchase qualifying depreciable machinery and equipment, including repair parts for such, free of tax.

This section also provides for the refund of sales tax paid on eligible purchases of electricity and fuel.

Reason(s) for exemption

Provide financial support to commercial agriculture, aquaculture, fishing and wood harvesting.

Estimated General Fund revenue loss

FY'18 \$16,892,674

FY'19 \$17,982,961

Method used to calculate the revenue loss

Sales tax micro-simulation model and information from sales tax returns.

Number of exemptions on file

Farmers – 2,269

Commercial Fishing – 4,231

Wood Harvesting - 433

2.109 Fish passage facilities.

36 M.R.S.A. § 2014.

Taxes on the sale or use of materials used in the construction of fish passage facilities in new, reconstructed or redeveloped dams, when the fish passage facilities are built in accordance with plans and specifications approved by the Department of Inland Fisheries and Wildlife or the Department of Marine Resources are refundable.

Reason(s) for exemption

Provide an incentive for the installation of fish passage facilities.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.110 Refund of sales tax on purchases of parts and supplies for windjammers.

36 M.R.S.A. § 2020.

Purchases of parts and supplies for use in the operation, repair or maintenance of a windjammer are exempt from the sales and use tax. The purchaser may receive a refund of tax paid on purchase parts and supplies tax exempt upon presentation of a certificate issued to the purchaser by the State Tax Assessor.

Reason(s) for exemption

Provide financial support to the businesses that sell cruises on windjammers.

Estimated General Fund revenue loss

FY' 18 \$50,000 – 249,999

FY' 19 \$50,000 – 249,999

Method used to calculate the revenue loss

Sales tax micro-simulation model.

Number of exemptions on file

22

2.111 Amusement & recreational services.

36 M.R.S.A. § 1752.11.

Amusement and recreational services include membership clubs, participant sports centers, amusement parks, camp grounds and related recreational services, motion picture services, live entertainment, spectator sports, museums and libraries, photo studios, repair of audio-visual, photographic and information processing equipment, casino gambling, lotteries, pari-mutuel net receipts, veterinary and other services for pets, and maintenance and repair of recreational vehicles and sports equipment.

Reason(s) for exemption

These amusement and recreational services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY'18 \$72,234,624

FY'19 \$74,690,602

Estimated General Fund revenue loss on business purchases

FY'18 \$11,922,876

FY'19 \$12,186,790

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.112 Medical services.

36 M.R.S.A. § 1752.11.

Medical services include physician services, dental services, home health care, medical laboratories, specialty outpatient care facilities and health and allied services, all other professional medical services, nonprofit hospitals' services to households, proprietary hospitals, government hospitals, nonprofit nursing homes' services to households and proprietary and government nursing homes.

Reason(s) for exemption

Medical services are a necessity of life that have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY' 18 \$593,290,530

FY' 19 \$613,312,126

Estimated General Fund revenue loss on business purchases

FY' 18 \$13,144,838

FY' 19 \$13,521,550

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.113 Educational services.

36 M.R.S.A. § 1752.11.

Educational services include proprietary and public higher education, nonprofit private higher education services to households, elementary and secondary schools, day care and nursery schools and commercial and vocational schools.

Reason(s) for exemption

Educational services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY' 18 \$77,779,562

FY' 19 \$80,404,296

Estimated General Fund revenue loss on business purchases

FY' 18 \$7,592,060

FY' 19 \$7,800,212

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.114 Social services.

36 M.R.S.A. § 1752.11.

Services in this category include child care, homes for the elderly, residential mental health and substance abuse facilities, individual and family services, vocational rehabilitation services, community food and housing/emergency/other relief services, other social assistance, social advocacy and civic and social organizations, religious organizations' services to households, and foundations and grant making and gift giving to households.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY'18 \$53,383,932

FY'19 \$55,185,270

Estimated General Fund revenue loss on business purchases

FY'18 \$260,680

FY'19 \$267,442

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.115 Financial services.

36 M.R.S.A. § 1752.11.

Services in this category include commercial banks, other depository institutions and regulated investment companies, pension funds, financial service charges and fees, exchange listed equities, other direct commissions, over-the-counter equity securities, other imputed commissions, mutual fund sales charges, portfolio management and investment advice service, trust, fiduciary, and custody activities, life insurance, net household insurance, medical care and hospitalization insurance, income loss insurance, workers' compensation insurance, and net motor vehicle and other transportation insurance.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY' 18 \$196,790,468

FY' 19 \$203,431,536

Estimated General Fund revenue loss on business purchases

FY' 18 \$221,019,008

FY' 19 \$224,903,924

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.116 Consumer Purchases of Personal, Household and Business Services.

36 M.R.S.A. § 1752.11.

Services in this category include legal services, tax preparation and other related services, employment agency services, other personal business services, labor organization dues, professional association dues, funeral and burial services, hairdressing salons and personal grooming establishments, miscellaneous personal care services, laundry and dry cleaning services, clothing repair, rental and alteration services, repair and hire of footwear, domestic services, moving storage and freight services, repair of furniture, furnishings and floor coverings, repair of household appliances, other household services, and garbage and trash collection.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY' 18 \$80,488,576

FY' 19 \$83,209,056

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.117 Business purchases of repair, maintenance and personal services.

36 M.R.S.A. § 1752.11.

This category includes automotive repair and maintenance, car wash, electronic and precision equipment repair and maintenance, commercial and industrial machinery repair and maintenance, personal and household goods repair and maintenance, personal care services dry cleaning and laundry services, and other personal services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY' 18 \$30,859,416

FY' 19 \$32,010,426

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.118 Information services.

36 M.R.S.A. § 1752.11.

This category include purchases of delivery services (except from the U.S. Postal Service), internet access, directory mailing list and other publishing services, motion picture and video services, sound recording services, radio and television broadcasting services, internet publishing and broadcasting services, internet service providers and web search portals, data processing hosting and related services and other information services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY'18 \$21,931,518

FY'19 \$22,671,614

Estimated General Fund revenue loss on business purchases

FY'18 \$36,543,416

FY'19 \$37,328,886

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.119 Transportation services.

36 M.R.S.A. § 1752.11.

Services in this category include purchases of motor vehicle maintenance and repair services, parking fees and tolls, railway transportation, intercity buses, taxicabs, Intracity mass transit, other road transportation services, air transportation, water transportation, scenic and sightseeing transportation, support activities for transportation, truck transportation, couriers and messengers, and warehousing and storage services purchased by businesses.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY' 18 \$27,783,882

FY' 19 \$29,065,820

Estimated General Fund revenue loss on business purchases

FY' 18 \$83,265,308

FY' 19 \$85,527,932

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.120 Business Purchases of Legal, Business, Administrative and Support Services.

36 M.R.S.A. § 1752.11.

Services in this category include purchases of legal services, accounting, tax preparation, bookkeeping and payroll services, architectural, engineering and related services, specialized design services, custom computer programming services, computer systems design services, other computer related services including facilities management, management, scientific and technical consulting services, environmental and other technical consulting services, scientific research and development services, advertising and related services, all other miscellaneous professional, scientific and technical services, photographic services, veterinary services, management of companies and enterprises, other administrative services, facilities support services, business support services, investigation and security services, services to buildings and dwellings, other support services, employment services, travel arrangement and reservation services, and waste management and remediation services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY' 18 \$481,350,422

FY' 19 \$492,418,640

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.121 Business purchases of construction services.

36 M.R.S.A. § 1752.11.

This category includes residential building, commercial and institutional building, manufacturing and industrial building, water, sewer and pipeline construction services. The purchase of tangible personal property by a construction contractor or a subcontractor that is to be physically incorporated in, and become a permanent part of real property for sale is subject to tax unless the construction contract is with government or an exempt organization.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY'18 \$45,236,800

FY'19 \$47,147,800

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.122 Casual sales.

36 M.R.S.A. § 1752.11.B (1)

Casual sales are exempt from tax. “Casual sale” means an isolated transaction in which tangible personal property or a taxable service is sold other than in the ordinary course of repeated and successive transactions of like character by the person making the sale. “Casual sales” include transactions at a bazaar, fair, rummage sale, picnic or similar event by a civic, religious or fraternal organization that is not a registered retailer. The sale by a registered retailer of tangible personal property that that retailer has used in the course of the retailer’s business is not a “casual sale” if that property is of like character to that sold by the retailer in the ordinary course of repeated and successive transactions. “Casual sale” does not include any transaction in which a retailer sells tangible personal property or a taxable service on behalf of the owner of that property or the provider of that service.

Casual sales involving the sale of camper trailers, truck campers, motor vehicles, special mobile equipment except farm tractors and lumber harvesting vehicles or loaders, livestock trailers, watercraft or aircraft (From July 1, 2011 to June 30, 2033 all sales of aircraft are exempt.) except those sold for resale at retail sale or to a corporation, partnership, limited liability company or limited liability partnership when the seller is the owner of 50% or more of the common stock of the corporation or of the ownership interests in the partnership, limited liability company or limited liability partnership are subject to tax.

The sales tax must be levied upon all casual rentals of living quarters in a hotel, rooming house or tourist or trailer camp. This does not apply to the rental of living quarters rented for a total of fewer than 15 days in the calendar year, except that a person who owns and offers for rental more than one property in the State during the calendar year is liable for collecting sales tax with respect to the rental of each unit regardless of the number of days for which it is rented.

When individuals who are not in the business of selling goods dispose of their own used household items by selling them at a yard sale or similar event, or by placing an advertisement in the classified section of a newspaper, they are making casual sales. If the property sold is a motor vehicle, aircraft, watercraft, camper trailer, livestock trailer or special mobile equipment, the purchaser is responsible for the payment of the sales tax directly to the State.

Reason(s) for exemption

These are isolated sales by people who are not in the business of selling goods.

Estimated General Fund revenue loss

FY’ 18 \$1,000,000 - 2,999,999

FY’ 19 \$1,000,000 - 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

2.123 Sales by executors.

36 M.R.S.A. § 1752.11.B (2).

Any sale by a personal representative in the settlement of any estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business is exempt from tax.

Reason(s) for exemption

These are isolated sales that occur as a result of the settlement of an estate.

Estimated General Fund revenue loss

FY' 18 \$0 - 49,999

FY' 19 \$0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

General Fund Service Provider Tax Expenditures

2.124 Telecommunications services.

36 M.R.S.A. § 2557.33 & 34.

All sales of international and interstate telecommunications service were exempt from tax through December 31, 2016. Effective January 1, 2016, consumer purchases of these services became taxable.

Reason(s) for exemption

This exemption reduces the cost of interstate telephone calls for all consumers and businesses and is an economic development incentive for business.

Estimated General Fund revenue loss on consumer purchases

FY'18 \$0

FY'19 \$0

Estimated General Fund revenue loss on business purchases

FY'18 \$11,417,000

FY'19 \$11,975,600

Method used to calculate the revenue loss

Sales tax micro-simulation model.

Highway Fund Sales and Use Tax Expenditures

2.125 Motor Vehicle Fuel.

36 M.R.S.A. § 1760.8-A.

Purchases of motor fuels that are subject to the gasoline tax or the special fuel tax are exempt from sales and use tax.

Reason(s) for exemption

Motor fuels are subject to the gasoline tax or the special fuel tax.

Estimated Highway Fund revenue loss

FY' 18 \$91,690,031

FY' 19 \$92,946,579

Method used to calculate the revenue loss

Actual and projected motor fuel tax revenue and estimates of the average prices of motor fuels are used to estimate the revenue loss.

Highway Fund Gasoline and Special Fuel Tax Expenditures

2.126 State and Local Government Exemption from the Gasoline Tax.

36 M.R.S.A. § 2903.

Internal combustion engine fuel sold in bulk to any political subdivision of this State and purchases of gasoline by the State are exempt from the gasoline tax.

Reason(s) for exemption

Retain funds for other public purposes.

Estimated Highway Fund revenue loss

FY' 18 \$2,209,187

FY' 19 \$2,264,766

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

2.127 Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies.

36 M.R.S.A. § 2908 and 2909.

The excise tax paid on internal combustion engine fuel bought and used for the purpose of operating or propelling commercial motor boats, tractors used for agricultural purposes not operating on public ways, or for registered vehicles operating off the highways of this State, or vehicles owned or operated by railroad companies while operating on rails or tracks, or in stationary engines, or in the mechanical or industrial arts, or for any other commercial use except in nonrailroad motor vehicles operated or intended to be operated upon any of the public highways of this State, or turnpikes operated and maintained by the Maine Turnpike Authority is refundable less one cent per gallon. All fuel qualifying for a refund is subject to the use tax.

Any person, firm or corporation engaged in furnishing common carrier passenger service under a certificate issued by the Public Utilities Commission shall be reimbursed and repaid to the extent of the entire amount of the gasoline tax paid by him upon that portion of the internal combustion engine fuel used in locally encouraged vehicles (Buses upon which no excise tax is collected, under section 1483, subsection 13.) operated by him which his tax-exempt passenger fare revenue derived from such service bears to his total passenger fare revenue. Tax-exempt passenger fare revenue means revenue attributable to fares which were exempt from the federal tax upon transportation of persons imposed by section 4261 of the Federal Internal Revenue Code, by reason of sections 4262 or 4263 of said Internal Revenue Code. Total passenger fare revenue means all revenue attributable to the claimant's passenger operations, whether or not pursuant to the certificate issued by the Public Utilities Commission. The refund is made only if the claimant's tax-exempt passenger fare revenue is at least 60% of the claimant's total passenger fare revenue derived during the calendar quarter for which such refund is claimed.

Reason(s) for exemption

The fuel is being used for off-highway purposes. The exemption for certain bus companies encourages the provision of free transportation to certain persons.

Estimated Highway Fund revenue loss

FY' 18 \$960,000

FY' 19 \$960,000

Method used to calculate the revenue loss

The estimate is based on actual refunds issued in fiscal year 2006.

2.128 State & Local Government Exemption from the Special Fuel Tax.

36 M.R.S.A. § 3204-A.3.

Sales of special fuel to this State or any political subdivision of this State are exempt from the special fuel tax.

Reason(s) for exemption

Retain funds for other public purposes.

Estimated Highway Fund revenue loss

FY' 18 \$2,243,702

FY' 19 \$2,266,139

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

2.129 Refund of Special Fuel Tax for Off-Highway Use and for Certain Bus Companies.

36 M.R.S.A. §§ 3215 and 3218.

The excise tax paid on special fuel bought and used for the purpose of operating or propelling motor boats, tractors used for agricultural purposes not operating on public ways, or in such vehicles as run only on rails or tracks, in stationary engines, in the mechanical or industrial arts, for registered vehicles operating off the highways of this State, or for any other use except in registered motor vehicles operated on the highways of this State is refundable less one cent per gallon. All fuel qualifying for a refund is subject to use tax.

Any person, firm or corporation engaged in furnishing common carrier passenger services under a certificate issued by the Public Utilities Commission is reimbursed and repaid to the extent of the entire amount of that tax paid by him upon that proportion of the combustible gases and liquids used in an internal combustion engine used in locally encouraged vehicles (Buses upon which no excise tax is collected, under section 1483, subsection 13.) operated by him, which his tax-exempt passenger fare revenue derived from that service bears to his total passenger fare revenue. "Tax-exempt passenger fare revenue" means revenue attributable to fares which were exempt from the federal tax upon transportation of persons imposed by the United States Internal Revenue Code Section 4261, by reasons of the United States Internal Revenue Code, Section 4262 or 4263. "Total passenger fare revenue" means all revenue attributable to the claimant's passenger operations, whether or not pursuant to the certificate issued by the Public Utilities Commission. The refund shall be made only if the claimant's tax-exempt passenger fare revenue is at least 60% of the claimant's total passenger fare revenue derived during the calendar quarter for which that refund is claimed.

Reason(s) for exemption

The fuel is being used for off-highway purposes. The purpose of the common carrier exemption is to encourage the provision of free transportation to certain persons.

Estimated Highway Fund revenue loss

FY' 18 \$4,500,000

FY' 19 \$4,500,000

Method used to calculate the revenue loss

The estimate is based on actual refunds issued in fiscal year 2006.

Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures

2.130 Excise Tax Exemption on Jet or Turbojet Fuel.

36 M.R.S.A. § 2903.4

Fuel bought or used by any person to propel jet or turbojet engine aircraft in international flight is exempt from the aeronautical jet fuel tax.

Reason(s) for exemption

Foreign commerce

Estimated Multimodal Transportation Fund revenue loss

FY' 18 \$68,401

FY' 19 \$69,085

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

2.131 Refund of Gasoline Tax to Users of Aircraft.

36 M.R.S.A. § 2910.

The gasoline excise tax paid on internal combustion engine fuel bought or used for the purpose of propelling piston engine aircraft is refundable to the user, less four cents per gallon. If the fuel tax is refunded, the purchase of the fuel is subject to the sales tax.

Reason(s) for exemption

Off-highway use.

Estimated Multimodal Transportation Fund revenue loss

FY' 18 \$18,000

FY' 19 \$18,200

Method used to calculate the revenue loss

The estimate is based on the value of refunds issued in fiscal year 2006.

Cigarette Tax Exemption

2.132 Cigarette Stamp Tax Deduction for Licensed Distributors.

36 M.R.S.A. § 4366-A.2.

Cigarette tax stamps are sold to licensed distributors at a discount from their face value. Stamps with a face value of 100 mills (\$2.00) are sold at a discount of 1.15%.

Reason(s) for exemption

The discount provides a subsidy to licensed distributors to help them cover the cost of affixing the tax stamps to packages of cigarettes.

Estimated General Fund revenue loss

FY' 18 \$1,406,054

FY' 19 \$1,390,694

Method used to calculate the revenue loss

The estimated revenue loss is based on the cigarette tax revenue forecast.

Appendix A: General Fund Tax Expenditures – Income Tax (Personal and Corporate) and Property Tax Reimbursement

| General Fund Income Tax Expenditures | 36 MRSA § | FY'16 | FY'17 | FY'18 | FY'19 |
|--|------------------|--------------|--------------|--------------|--------------|
| Reimbursement For Business Equipment Tax Exemption to Chapter 105, Subchapter 4-c Municipalities | | \$29,747,945 | \$33,948,340 | \$37,968,101 | \$42,968,623 |
| Reimbursement for Taxes Paid on Certain Business Property (BETR) | Chapter 915 | \$35,078,530 | \$30,500,000 | \$26,800,000 | \$23,420,000 |
| Deduction for Affordable Housing | 5122(2)(Z) | A | A | A | A |
| Deduction for Social Security Benefits Taxable at Federal Level | 5122(2)(C) | \$79,400,000 | \$78,500,000 | \$85,000,000 | \$91,800,000 |
| Deduction for Contributions to Capital Construction Funds | 5122(2)(I) | A | A | A | A |
| Deduction for Pension Income | 5122(2)(M) | \$26,900,000 | \$31,100,000 | \$32,300,000 | \$32,300,000 |
| Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax | 5122(2)(N) | \$60,000 | \$60,000 | \$60,000 | \$65,000 |
| Deduction for Holocaust Victim Settlement Payments | 5122(2)(O) | A | A | A | A |
| Deduction for active duty military pay earned outside of Maine | 5122(2)(LL) | \$990,000 | \$900,000 | \$900,000 | \$900,000 |
| Itemized Deductions | 5125 | \$45,800,000 | \$12,000,000 | \$12,400,000 | \$12,900,000 |
| Additional standard deduction for the elderly and disabled | 5124-A | \$6,400,000 | \$7,100,000 | \$7,700,000 | \$8,200,000 |
| Deduction for Exempt Associations, Trusts and Organizations | 5162(2) | A | A | A | A |
| Deduction for Interest and Dividends on U.S., Maine State and Local Securities | 5200-A(2)(K) | \$200,000 | \$200,000 | \$200,000 | \$200,000 |
| Credit to Beneficiary for Accumulation Distribution | 5214-A | A | A | A | A |
| Seed Capital Investment Tax Credit | 5216-B | \$1,750,000 | \$2,350,000 | \$2,880,000 | \$3,320,000 |
| Credit for Educational Opportunity | 5217-D | \$8,900,000 | \$12,300,000 | \$18,700,000 | \$24,900,000 |
| Income Tax Credit for Child Care Expense | 5218 | \$3,920,000 | \$3,920,000 | \$3,920,000 | \$3,920,000 |
| Research Expense Tax Credit | 5219-K | \$1,660,000 | \$1,230,000 | \$700,000 | \$540,000 |
| Credit for Rehabilitation of Historic Properties | 5219-BB | \$12,250,000 | \$12,730,000 | \$13,120,000 | \$15,340,000 |
| Earned Income Credit | 5219-S | \$1,100,000 | \$10,100,000 | \$10,100,000 | \$10,200,000 |
| Pine Tree Development Zone Tax Credit | 5219-W | \$3,000,000 | \$3,230,000 | \$3,320,000 | \$3,320,000 |
| Tax Benefits for Media Production Companies | 5219-Y, c. 919-A | \$130,569 | \$279,300 | \$499,800 | \$499,800 |
| Dental Care Access Credit | 5219-BB | \$147,000 | \$154,000 | \$130,000 | \$81,000 |
| New Markets Capital Investment Credit | 5219-HH | \$10,657,000 | \$13,815,000 | \$15,134,000 | \$15,232,000 |
| Credit for Wellness Programs | 5219-FF | A | A | A | A |
| Maine fishery infrastructure investment tax credit | 5216-D | \$0 | A | A | A |
| Innovation Finance Credit | 5219-EE | \$0 | \$0 | * | * |
| Primary Care Access Credit | 5219-LL | A | A | B | B |
| Property Tax Fairness Credit | 5219-KK | \$14,350,000 | \$14,710,000 | \$15,090,000 | \$15,970,000 |
| Sales Tax Fairness Credit | 5213-A | \$0 | \$27,000,000 | \$34,500,000 | \$33,600,000 |
| Maine Capital Investment Credit for tax year 2015 and after | 5219-NN | \$11,450,000 | \$14,100,000 | \$9,350,000 | \$5,950,000 |
| Credit for certain homestead modifications | 5219-NN | \$0 | \$0 | \$73,500 | \$122,500 |
| Credit for disability income protection plans in the workplace | 5219-NN | \$0 | \$0 | \$28,420 | \$62,720 |
| Adult Dependent Care Credit | 5218-A | \$0 | \$147,000 | \$147,000 | \$147,000 |
| Employment Tax Increment Financing, including certain Job Increment Financing Programs | Chapter 917 | \$14,120,000 | \$15,980,000 | \$15,810,000 | \$17,350,000 |
| Shipbuilding Facility Credit | Chapter 919 | \$2,940,000 | \$3,062,500 | \$2,817,500 | \$0 |

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS

| | | | | | |
|---|-----------|-------------|-------------|-------------|-------------|
| Health Savings Accounts | 5102(1-D) | \$1,350,000 | \$1,250,000 | \$1,350,000 | \$1,350,000 |
| Deduction for Interest of Student Loans | 5102(1-D) | \$4,750,000 | \$4,200,000 | \$4,500,000 | \$4,500,000 |
| Moving Expenses Deduction | 5102(1-D) | \$330,000 | \$310,000 | \$320,000 | \$320,000 |
| Pension Contributions -- Individual Retirement Plans | 5102(1-D) | \$6,050,000 | \$5,500,000 | \$5,800,000 | \$6,100,000 |
| Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans | 5102(1-D) | \$6,250,000 | \$5,900,000 | \$6,200,000 | \$6,600,000 |
| Self-Employed Medical Insurance Premiums | 5102(1-D) | \$9,250,000 | \$8,550,000 | \$9,150,000 | \$9,700,000 |
| Teacher Expense Deduction | 5102(1-D) | \$310,000 | \$280,000 | \$290,000 | \$290,000 |

A represents an estimated spread of \$0 - \$49,999

B represents an estimated spread of \$100,000 - \$200,000

*represents a potential liability

Appendix A Continued**36 MRSA §****FY'16****FY'17****FY'18****FY'19**

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER

| | | | | | |
|---|-----------|-------------------------------|---------------|---------------|---------------|
| Section 179 Expensing for tax year 2015 and later | 5102(1-D) | \$7,400,000 | \$7,100,000 | \$3,750,000 | \$2,850,000 |
| Pension Contributions & Earnings -- Employer-Provided Pension | | | | | |
| Contributions and Earnings | 5102(1-D) | \$151,100,000 | \$163,300,000 | \$189,000,000 | \$211,900,000 |
| Employer-Paid Medical Insurance and Expenses | 5102(1-D) | \$155,100,000 | \$152,800,000 | \$161,100,000 | \$171,000,000 |
| Exclusion of Benefits Provided under Cafeteria Plans | 5102(1-D) | \$38,900,000 | \$38,000,000 | \$39,800,000 | \$40,600,000 |
| Exclusion of Capital Gains at Death | 5102(1-D) | \$24,600,000 | \$23,600,000 | \$24,600,000 | \$25,700,000 |
| Exclusion of Capital Gains on Sales of Principal Residences | 5102(1-D) | \$21,600,000 | \$21,400,000 | \$22,500,000 | \$23,700,000 |
| Social Security and Railroad Retirement Benefits Untaxed at the Federal Level | 5102(1-D) | \$54,100,000 | \$57,200,000 | \$60,400,000 | \$63,900,000 |
| Other conformity items | 5102(1-D) | \$200 to 300 million per year | | | |

Appendix B: General Fund tax expenditures – Sales, Motor Fuel and Service Provider Taxes

| General Fund Sales & Use Tax Expenditures | 36 MRSA § | FY'16 | FY'17 | FY'18 | FY'19 |
|---|------------------|---------------|---------------|---------------|---------------|
| Sales to the State & Political Subdivisions | 1760.2 | \$177,457,679 | \$182,781,409 | \$188,264,851 | \$193,912,797 |
| Grocery Staples | 1760.3 | \$164,914,400 | \$164,728,200 | \$171,960,600 | \$178,742,200 |
| Ships Stores | 1760.4 | C | C | C | C |
| Prescription Drugs | 1760.5 | \$89,199,600 | \$92,629,600 | \$95,922,400 | \$99,156,400 |
| Prosthetic or Orthotic Device | 1760.5A | \$7,448,000 | \$7,830,200 | \$8,192,800 | \$8,526,000 |
| Meals Served by Public or Private Schools | 1760.6A | \$13,428,940 | \$14,602,000 | \$15,101,800 | \$15,621,200 |
| Meals Served to Patients in Hospitals & Nursing Homes | 1760.6B | \$9,379,972 | \$9,869,874 | \$10,466,008 | \$11,045,286 |
| Providing Meals for the Elderly | 1760.6C | C | C | C | C |
| Providing Meals to Residents of Certain Nonprofit Congregate Housing Facilities | 1760.6D | A | A | A | A |
| Certain Meals Served by Colleges to Employees of the College | 1760.6E | A | A | A | A |
| Meals Served by Youth Camps that are Licensed by DHHS | 1760.6F | C | C | C | C |
| Meals Served by a Retirement Facility to its Residents | 1760.6G | C | C | C | C |
| Products Used in Agricultural and Aquacultural Production & Bait | 1760.7A-C | \$6,879,600 | \$7,173,600 | \$7,536,200 | \$7,908,600 |
| Certain Jet Fuel | 1760.8B | \$6,502,226 | \$6,632,270 | \$6,764,916 | \$6,900,213 |
| Coal, Oil & Wood for Cooking & Heating Homes | 1760.9 | \$40,523,000 | \$42,169,400 | \$48,108,200 | \$53,880,400 |
| Fuel Oil for Burning Blueberry Land | 1760.9A | A | A | A | A |
| First 750 KW Hours of Residential Electricity Per Month | 1760.9B | \$16,356,200 | \$17,689,000 | \$19,462,800 | \$21,217,000 |
| Gas When Used for Cooking & Heating in Residences | 1760.9C | \$10,015,600 | \$10,319,400 | \$10,966,200 | \$11,632,600 |
| Fuel and Electricity Used in Manufacturing | 1760.9D | \$17,234,891 | \$19,153,134 | \$21,089,516 | \$22,586,871 |
| Fuel Oil or Coal which become an Ingredient or Component Part | 1760.9G | A | A | A | A |
| Fuel Used in Certain Agricultural Production | 1760.9H | \$175,175 | \$274,890 | \$283,137 | \$291,631 |
| Certain Returnable Containers | 1760.12 | \$1,745,929 | \$1,798,307 | \$1,852,256 | \$1,907,824 |
| Packaging Materials | 1760.12A | \$29,204,000 | \$30,360,400 | \$31,722,600 | \$32,996,600 |
| Free Publications and Components of Publications | 1760.14-A | \$1,917,425 | \$1,955,773 | \$1,994,889 | \$2,034,787 |
| Sales to Hospitals, Research Centers, Churches and Schools | 1760.16 | F | F | F | F |
| Rental Charges for Living Quarters in Nursing Homes and Hospitals | 1760.18 | C | C | C | C |
| Sales to Certain Residential Child Care Facilities | 1760.18A | B | B | B | B |
| Rental of Living Quarters at Schools | 1760.19 | \$6,899,200 | \$7,163,800 | \$7,408,800 | \$7,663,600 |
| Rental Charges on Continuous Residence for More Than 28 Days | 1760.20 | \$195,755,000 | \$203,281,400 | \$210,494,200 | \$217,599,200 |
| Automobiles Used in Driver Education Programs | 1760.21 | A | A | A | A |
| Certain Loaner Vehicles | 1760.21A | \$280,047 | \$285,647 | \$291,361 | \$297,188 |
| Automobiles Sold to Amputee Veterans | 1760.22 | A | A | A | A |
| Certain Vehicles Purchased or Leased by Nonresidents | 1760.23C | C | C | C | C |
| Certain Vehicles Purchased or Leased by Qualifying Resident Businesses | 1760.23D | \$1,038,507 | \$1,059,277 | \$1,080,463 | \$1,102,072 |
| Funeral Services | 1760.24 | \$6,252,400 | \$6,497,400 | \$6,722,800 | \$6,958,000 |
| Watercraft Purchased by Nonresidents | 1760.25 | C | C | C | C |
| Certain Sales of Snowmobiles and All-terrain Vehicles to Nonresidents | 1760.25C | A | A | A | A |
| Sales to Ambulance Services & Fire Departments | 1760.26 | C | C | C | C |
| Sales to Comm. Mental Health, Substance Abuse & Mental Retardation Facilities | 1760.28 | B | B | B | B |
| Water Pollution Control Facilities | 1760.29 | C | C | C | C |
| Air Pollution Control Facilities | 1760.30 | C | C | C | C |
| Machinery & Equipment | 1760.31 | \$44,717,400 | \$46,422,600 | \$48,421,800 | \$50,283,800 |
| New Machinery for Experimental Research | 1760.32 | B | B | B | B |
| Diabetic Supplies | 1760.33 | \$1,257,346 | \$1,295,066 | \$1,333,918 | \$1,373,936 |
| Sales Through Coin Operated Vending Machines | 1760.34 | \$453,250 | \$462,315 | \$471,561 | \$480,993 |
| Goods & Services for Seeing Eye Dogs | 1760.35 | A | A | A | A |
| Sales to Regional Planning Agencies | 1760.37 | A | A | A | A |
| Water Used in Private Residences | 1760.39 | \$14,327,600 | \$14,847,000 | \$15,405,600 | \$15,925,000 |
| Mobile & Modular Homes | 1760.40 | \$31,907,086 | \$32,226,157 | \$32,709,549 | \$33,200,193 |
| Property Used in Interstate Commerce | 1760.41 | D | D | D | D |
| Sales to Historical Societies & Museums | 1760.42 | B | B | B | B |
| Sales to Child Care Facilities | 1760.43 | B | B | B | B |
| Sales to Church Affiliated Residential Homes | 1760.44 | A | A | A | A |
| Certain Property Purchased Out of State | 1760.45 | D | D | D | D |
| Sales to Organ. that Provide Residential Facilities for Med. Patients | 1760.46 | A | A | A | A |
| Sales to Emergency Shelters & Feeding Organizations | 1760.47A | B | B | B | B |
| Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs. | 1760.49 | C | C | C | C |
| Sales to any Nonprofit Free Libraries | 1760.50 | B | B | B | B |

A represents an estimated spread of \$0 - \$49,999
 B represents an estimated spread of \$50,000 - \$249,999
 C represents an estimated spread of \$250,000 - \$999,999
 D represents an estimated spread of \$1,000,000 – \$2,999,999
 E represents an estimated spread of \$3,000,000 - \$5,999,999
 F represents an estimated spread of \$6,000,000 or more

| Appendix B (continued) | 36 MRSA § | FY'16 | FY'17 | FY'18 | FY'19 |
|---|-----------|---------------|---------------|---------------|---------------|
| Sales to Veterans Memorial Cemetery Associations | 1760.51 | A | A | A | A |
| Railroad Track Materials | 1760.52 | \$1,043,188 | \$1,121,708 | \$1,156,400 | \$1,313,200 |
| Sales to Nonprofit Rescue Operations | 1760.53 | A | A | A | A |
| Sales to Hospice Organizations | 1760.55 | A | A | A | A |
| Sales to Nonprofit Youth & Scouting Organizations | 1760.56 | C | C | C | C |
| Self-Help Literature on Alcoholism | 1760.57 | A | A | A | A |
| Portable Classrooms | 1760.58 | A | A | A | A |
| Sales to Certain Incorporated. Nonprofit Educational Orgs. | 1760.59 | A | A | A | A |
| Sales to Incorporated Nonprofit Animal Shelters | 1760.60 | A | A | A | A |
| Construction Contracts with Exempt Organizations | 1760.61 | D | D | D | D |
| Sales to Certain Charitable Suppliers of Medical Equipment | 1760.62 | A | A | A | A |
| Sales to Orgs that Fulfill the Wishes of Children with Life-Threatening Diseases | 1760.63 | A | A | A | A |
| Sales by Schools & School-Sponsored Organizations | 1760.64 | C | C | C | C |
| Sales to Monasteries and Convents | 1760.65 | A | A | A | A |
| Sales to Providers of Certain Support Systems for Single-Parent Families | 1760.66 | A | A | A | A |
| Sales to Nonprofit Home Construction Organizations | 1760.67 | B | B | B | B |
| Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans | 1760.69 | A | A | A | A |
| Sales to Orgs that Provide Certain Services for Hearing-Impaired Persons | 1760.70 | A | A | A | A |
| Sales to State-Chartered Credit Unions | 1760.71 | A | A | A | A |
| Sales to Nonprofit Housing Development Organizations | 1760.72 | B | B | B | B |
| Seedlings for Commercial Forestry Use | 1760.73 | B | B | B | B |
| Property Used in Manufacturing Production | 1760.74 | \$177,860,200 | \$184,573,200 | \$191,815,400 | \$199,704,400 |
| Meals & Lodging Provided to Employees | 1760.75 | B | B | B | B |
| Certain Aircraft Parts | 1760.76 | A | A | A | A |
| Sales to Eye Banks | 1760.77 | A | A | A | A |
| Sales of Certain Farm Animal Bedding & Hay | 1760.78 | A | A | A | A |
| Electricity Used for Net Billing | 1760.80 | A | A | A | A |
| Animal Waste Storage Facility | 1760.81 | A | A | A | A |
| Sales of Property Delivered Outside this State | 1760.82 | F | F | F | F |
| Sales of Certain Printed Materials | 1760.83 | C | C | C | C |
| Sales to Centers for Innovation | 1760.84 | A | A | A | A |
| Certain Sales by an Auxiliary Organization of the American Legion | 1760.85 | B | B | B | B |
| Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes | 2016 | C | C | C | C |
| Sales of Tangible Personal Property to Qualified Development Zone Businesses | 1760.87 | D | D | D | D |
| Sales of Certain Aircraft | 1760.88 | \$457,460 | \$471,184 | \$485,320 | \$499,879 |
| Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts | 1760.88-A | \$714,782 | \$736,225 | \$758,312 | \$781,062 |
| Sales of Certain Qualified Snowmobile Trail Grooming Equipment | 1760.90 | \$94,948 | \$97,796 | \$100,730 | \$103,753 |
| Certain Sales of Electrical Energy | 1760.91 | C | C | C | C |
| Certain Vehicle Rentals | 1760.92 | A | A | A | A |
| Plastic Bags Sold to Redemption Centers | 1760.93 | \$35,352 | \$36,413 | \$37,505 | \$38,630 |
| Positive Airway Pressure Equipment and Supplies | 1760.94 | C | C | C | C |
| Sales of Certain Adaptive Equipment | 1760.95 | \$70,228 | \$72,334 | \$74,505 | \$76,739 |
| Sales to Certain Veterans' Support Organizations | 1760.98 | \$18,900 | \$19,656 | \$20,442 | \$21,260 |
| Sales to Nonprofit Library Collaboratives | 1760.99 | A | A | A | A |
| Sales to Certain Veterans' Service Organizations | 1760.100 | \$0 | \$87,868 | \$91,822 | \$95,954 |
| Trade-In Credits | 1765 | \$33,470,748 | \$34,642,224 | \$35,854,701 | \$37,109,616 |
| Returned Merchandise Donated to Charity | 1863 | B | B | B | B |
| Merchandise Donated from a Retailer's Inventory to Exempt Organizations | 1864 | B | B | B | B |
| Refund of Sales Tax on Goods Removed from the State | 2012 | A | A | A | A |
| Refund of Sales Tax on Certain Depreciable Machinery and Equipment | 2013 | \$6,480,838 | \$10,184,055 | \$16,892,674 | \$17,982,961 |
| Fish Passage Facilities | 2014 | A | A | A | A |
| Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers | 2020 | B | B | B | B |
| Consumer Purchases of Amusement and Recreational Services | 1752.11 | \$67,123,434 | \$69,736,310 | \$72,234,624 | \$74,690,602 |
| Business Purchases of Amusement and Recreational Services | 1752.11 | \$11,348,008 | \$11,633,286 | \$11,922,876 | \$12,186,790 |
| Consumer Purchases of Medical Services | 1752.11 | \$551,742,156 | \$572,974,836 | \$593,290,530 | \$613,312,126 |
| Business Purchases of Medical Services | 1752.11 | \$12,419,344 | \$12,759,894 | \$13,144,838 | \$13,521,550 |

A represents an estimated spread of \$0 - \$49,999
B represents an estimated spread of \$50,000 - \$249,999
C represents an estimated spread of \$250,000 - \$999,999
D represents an estimated spread of \$1,000,000 - \$2,999,999
E represents an estimated spread of \$3,000,000 - \$5,999,999
F represents an estimated spread of \$6,000,000 or more

| Appendix B (continued) | 36 MRSA § | FY'16 | FY'17 | FY'18 | FY'19 |
|--|------------|---------------|---------------|---------------|---------------|
| Consumer Purchases of Education Services | 1752.11 | \$72,332,428 | \$75,116,118 | \$77,779,562 | \$80,404,296 |
| Business Purchases of Educational Services | 1752.11 | \$7,207,508 | \$7,379,890 | \$7,592,060 | \$7,800,212 |
| Consumer Purchases of Social Services | 1752.11 | \$49,645,428 | \$51,555,840 | \$53,383,932 | \$55,185,270 |
| Business Purchases of Social Services | 1752.11 | \$249,116 | \$254,114 | \$260,680 | \$267,442 |
| Consumer Purchases of Financial Services | 1752.11 | \$183,009,218 | \$190,051,890 | \$196,790,468 | \$203,431,536 |
| Business Purchases of Financial Services | 1752.11 | \$211,161,678 | \$216,071,380 | \$221,019,008 | \$224,903,924 |
| Consumer Purchases of Personal, Household and Business Services | 1752.11 | \$74,839,562 | \$77,726,544 | \$80,488,576 | \$83,209,056 |
| Business Purchases of Repair, Maintenance and Personal Services | 1752.11 | \$28,544,754 | \$29,699,586 | \$30,859,416 | \$32,010,426 |
| Consumer Purchases of Information Services Except Telecommunications | 1752.11 | \$20,395,564 | \$21,180,446 | \$21,931,518 | \$22,671,614 |
| Business Purchases of Information Services Except Telecommunications | 1752.11 | \$34,885,452 | \$35,690,326 | \$36,543,416 | \$37,328,886 |
| Consumer Purchases of Transportation Services | 1752.11 | \$24,844,078 | \$26,362,980 | \$27,783,882 | \$29,065,820 |
| Business Purchases of Transportation Services | 1752.11 | \$78,915,480 | \$80,890,278 | \$83,265,308 | \$85,527,932 |
| Business Purchases of Legal, Business, Administrative and Support Services | 1752.11 | \$457,674,504 | \$469,053,578 | \$481,350,422 | \$492,418,640 |
| Business Purchases of Construction Services | 1752.11 | \$41,473,600 | \$43,198,400 | \$45,236,800 | \$47,147,800 |
| Casual Sales | 1752.11 | D | D | D | D |
| Sales by Executors | 1752.11 | A | A | A | A |
| General Fund Service Provider Tax Expenditures | | | | | |
| Sales to the State & Political Subdivisions | 2557.2 | D | D | D | D |
| Sales to Hospitals, Research Centers, Churches and Schools | 2557.3 | C | C | C | C |
| Sales to Certain Nonprofit Residential Child Care Institutions | 2557.4 | A | A | A | A |
| Sales to Ambulance Services & Fire Departments | 2557.5 | A | A | A | A |
| Sales to Comm. Mental Health, Substance Abuse & Mental Retardation Facilities | 2557.6 | A | A | A | A |
| Sales to Regional Planning Agencies | 2557.7 | A | A | A | A |
| Sales to Historical Societies & Museums | 2557.8 | A | A | A | A |
| Sales to Day Care Centers & Nursery Schools | 2557.9 | A | A | A | A |
| Sales to Church Affiliated Residential Homes | 2557.10 | A | A | A | A |
| Sales to Organ. that Provide Residential Facilities for Med. Patients | 2557.11 | A | A | A | A |
| Sales to Emergency Shelters & Feeding Organizations | 2557.12 | A | A | A | A |
| Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs. | 2557.13 | B | B | B | B |
| Sales to any Nonprofit Free Libraries | 2557.14 | A | A | A | A |
| Sales to Veterans Memorial Cemetery Associations | 2557.15 | A | A | A | A |
| Sales to Nonprofit Rescue Operations | 2557.16 | A | A | A | A |
| Sales to Hospice Organizations | 2557.17 | A | A | A | A |
| Sales to Nonprofit Youth & Scouting Organizations | 2557.18 | B | B | B | B |
| Sales to Certain Incorporated. Nonprofit Educational Orgs. | 2557.19 | A | A | A | A |
| Sales to Certain Charitable Suppliers of Medical Equipment | 2557.20 | A | A | A | A |
| Sales to Orgs that Fulfill the Wishes of Children with Life-Threatening Diseases | 2557.21 | A | A | A | A |
| Sales to Providers of Certain Support Systems for Single-Parent Families | 2557.22 | A | A | A | A |
| Sales to Nonprofit Home Construction Organizations | 2557.23 | A | A | A | A |
| Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans | 2557.24 | A | A | A | A |
| Sales to Orgs that Provide Certain Services for Hearing-Impaired Persons | 2557.25 | A | A | A | A |
| Sales to State-Chartered Credit Unions | 2557.26 | A | A | A | A |
| Sales to Nonprofit Housing Development Organizations | 2557.27 | A | A | A | A |
| Sales to Eye Banks | 2557.28 | A | A | A | A |
| Sales to Centers for Innovation | 2557.29 | A | A | A | A |
| Construction contracts with exempt organizations | 2557.31 | C | C | C | C |
| Certain Telecommunications Services | 2557.33,34 | \$12,003,236 | \$10,858,400 | \$11,417,000 | \$11,975,600 |
| Certain Veterans' Support Organizations | 2557.37 | A | A | A | A |
| Nonprofit Library Collaboratives | 2557.38 | A | A | A | A |

A represents an estimated spread of \$0 - \$49,999
B represents an estimated spread of \$50,000 - \$249,999
C represents an estimated spread of \$250,000 - \$999,999
D represents an estimated spread of \$1,000,000 – \$2,999,999
E represents an estimated spread of \$3,000,000 - \$5,999,999
F represents an estimated spread of \$6,000,000 or more

| Appendix B (continued) | 36 MRSA § | FY'16 | FY'17 | FY'18 | FY'19 |
|---|-----------|--------------|--------------|--------------|--------------|
| Highway Fund Sales & Use Tax Expenditures | | | | | |
| Motor Vehicle Fuel | 1760.8A | \$89,387,543 | \$90,594,164 | \$91,690,031 | \$92,946,579 |
| Highway Fund Gasoline & Special Fuel Tax Expenditures | | | | | |
| State and Local Government Exemption from the Gasoline Tax | 2903 | \$2,103,080 | \$2,155,311 | \$2,209,187 | \$2,264,766 |
| Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Cos. | 2908 | \$676,475 | \$960,000 | \$960,000 | \$960,000 |
| State & Local Government Exemption from the Special Fuel Tax | 3204-A | \$2,199,492 | \$2,221,487 | \$2,243,702 | \$2,266,139 |
| Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Cos. | 3218 | \$4,749,588 | \$4,500,000 | \$4,500,000 | \$4,500,000 |
| Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures | | | | | |
| Excise Tax Exemption on Jet or Turbo Jet Fuel - International Flights | 2903 | \$67,054 | \$67,724 | \$68,401 | \$69,085 |
| Refund of Excise Tax on Fuel Used in Piston Aircraft | 2910 | \$17,124 | \$17,500 | \$18,000 | \$18,200 |
| H.O.M.E. Fund Excise Tax Expenditure | | | | | |
| Exemptions of the Real Estate Transfer Tax | 4641C | C | C | C | C |
| General Fund Cigarette Tax & Real Estate Transfer Tax Expenditures | | | | | |
| Cigarette Stamp Tax Deduction for Licensed Distributors | 4366A.2 | \$1,491,454 | \$1,421,587 | \$1,406,054 | \$1,390,694 |
| Exemptions of the Real Estate Transfer Tax | 4641C | C | C | C | C |

A represents an estimated spread of \$0 - \$49,999
 B represents an estimated spread of \$50,000 - \$249,999
 C represents an estimated spread of \$250,000 - \$999,999
 D represents an estimated spread of \$1,000,000 - \$2,999,999
 E represents an estimated spread of \$3,000,000 - \$5,999,999
 F represents an estimated spread of \$6,000,000 or more

Appendix C: General Fund tax expenditures – Detail for Tax Expenditures on Purchases of Services

| General Fund Sales & Use Tax Expenditures | FY'16 | FY'17 | FY'18 | FY'19 |
|---|---------------|---------------|---------------|---------------|
| 1) Consumer Purchases of Services Tax Expenditures | | | | |
| Medical Services | \$551,742,156 | \$572,974,836 | \$593,290,530 | \$613,312,126 |
| - Physician services | \$81,426,044 | \$84,559,496 | \$87,557,708 | \$90,512,506 |
| - Dental services | \$28,076,608 | \$29,157,058 | \$30,190,860 | \$31,209,766 |
| - Home health care | \$20,474,944 | \$21,262,864 | \$22,016,778 | \$22,759,716 |
| - Medical laboratories | \$5,807,284 | \$6,030,822 | \$6,244,658 | \$6,455,358 |
| - Specialty outpatient care facilities and health and allied services | \$39,282,222 | \$40,793,970 | \$42,240,352 | \$43,665,860 |
| - All other professional medical services | \$18,776,996 | \$19,499,550 | \$20,190,940 | \$20,872,334 |
| - Nonprofit hospitals' services to households | \$198,693,236 | \$206,339,588 | \$213,655,680 | \$220,865,834 |
| - Proprietary hospitals | \$42,614,222 | \$44,254,154 | \$45,823,232 | \$47,369,574 |
| - Government hospitals | \$56,485,044 | \$58,658,684 | \$60,738,538 | \$62,788,306 |
| - Nonprofit nursing homes' services to households | \$19,037,284 | \$19,769,932 | \$20,470,926 | \$21,161,728 |
| - Proprietary and government nursing homes | \$41,068,272 | \$42,648,718 | \$44,160,858 | \$45,651,144 |
| Transportation services | \$24,844,078 | \$26,362,980 | \$27,783,882 | \$29,065,820 |
| - Motor vehicle maintenance and repair services | \$13,813,590 | \$14,907,956 | \$15,922,844 | \$16,804,452 |
| - Parking fees and tolls | \$4,336,108 | \$4,502,904 | \$4,662,546 | \$4,819,934 |
| - Railway transportation | \$174,636 | \$181,398 | \$187,768 | \$194,138 |
| - Intercity buses | \$150,430 | \$156,212 | \$161,700 | \$167,188 |
| - Taxicabs | \$913,262 | \$948,444 | \$982,058 | \$1,015,182 |
| - Intracity mass transit | \$2,742,040 | \$2,847,586 | \$2,948,526 | \$3,048,094 |
| - Other road transportation services | \$1,967,840 | \$2,043,496 | \$2,116,016 | \$2,187,360 |
| - Air transportation | \$713,832 | \$741,370 | \$767,634 | \$793,506 |
| - Water transportation | \$32,340 | \$33,614 | \$34,790 | \$35,966 |
| Amusement and recreation services | \$67,123,434 | \$69,736,310 | \$72,234,624 | \$74,690,602 |
| - Membership clubs and participant sports centers | \$9,521,974 | \$9,888,396 | \$10,239,040 | \$10,584,588 |
| - Amusement parks, camp grounds and related recreational services | \$9,879,674 | \$10,259,914 | \$10,623,690 | \$10,982,174 |
| - Motion picture theaters | \$2,680,006 | \$2,783,102 | \$2,881,788 | \$2,979,102 |
| - Live entertainment excluding sports | \$3,419,416 | \$3,551,030 | \$3,676,862 | \$3,801,028 |
| - Spectator sports | \$1,805,160 | \$1,874,544 | \$1,941,086 | \$2,006,550 |
| - Museums and libraries | \$1,470,392 | \$1,527,036 | \$1,581,132 | \$1,634,542 |
| - Photo studios | \$809,088 | \$840,252 | \$870,044 | \$899,346 |
| - Repair of audio-visual, photographic and information processing equipment | \$474,614 | \$512,246 | \$547,036 | \$577,318 |
| - Casino gambling | \$19,260,136 | \$20,001,310 | \$20,710,438 | \$21,409,374 |
| - Lotteries | \$5,380,984 | \$5,588,058 | \$5,786,214 | \$5,981,430 |
| - pari-mutuel net receipts | \$917,378 | \$952,658 | \$986,468 | \$1,019,788 |
| - Veterinary and other services for pets | \$11,248,538 | \$11,681,404 | \$12,095,650 | \$12,503,820 |
| - Maintenance and repair of recreation vehicles and sports equipment | \$256,074 | \$276,360 | \$295,176 | \$311,542 |
| Financial Services | \$183,009,218 | \$190,051,890 | \$196,790,468 | \$203,431,536 |
| - Commercial banks | \$18,494,364 | \$19,206,040 | \$19,887,042 | \$20,558,146 |
| - Other depository institutions and regulated investment companies | \$35,891,618 | \$37,272,830 | \$38,594,458 | \$39,896,878 |
| - Pension funds | \$9,109,884 | \$9,460,528 | \$9,795,982 | \$10,126,536 |
| - Financial service charges and fees | \$20,501,894 | \$21,290,794 | \$22,045,688 | \$22,789,704 |
| - Exchange listed equities | \$302,820 | \$314,482 | \$325,556 | \$336,532 |
| - Other direct commissions | \$2,025,170 | \$2,103,080 | \$2,177,658 | \$2,251,158 |
| - Over-the-counter equity securities | \$134,260 | \$139,454 | \$144,354 | \$149,254 |
| - Other imputed commissions | \$1,716,372 | \$1,782,424 | \$1,845,634 | \$1,907,962 |
| - Mutual fund sales charges | \$1,957,942 | \$2,033,304 | \$2,105,334 | \$2,176,384 |
| - Portfolio management and investment advice services | \$24,866,030 | \$25,822,902 | \$26,738,516 | \$27,640,802 |
| - Trust fiduciary and custody activities | \$2,148,552 | \$2,231,264 | \$2,310,350 | \$2,388,358 |
| - Life insurance | \$19,251,120 | \$19,991,902 | \$20,700,834 | \$21,399,378 |
| - Net household insurance | \$2,112,684 | \$2,194,024 | \$2,271,836 | \$2,348,472 |
| - Medical care and hospitalization insurance | \$26,235,580 | \$27,245,176 | \$28,211,162 | \$29,163,232 |
| - Income loss insurance | \$608,286 | \$631,708 | \$654,150 | \$676,200 |
| - Workers' compensation insurance | \$4,470,368 | \$4,642,456 | \$4,806,998 | \$4,969,286 |
| - Net motor vehicle and other transportation insurance | \$13,182,274 | \$13,689,522 | \$14,174,916 | \$14,653,254 |
| Information Services | \$20,395,564 | \$21,180,446 | \$21,931,518 | \$22,671,614 |
| - Delivery services except U.S. Postal Service | \$493,920 | \$512,932 | \$531,160 | \$549,094 |
| - Internet access | \$19,901,644 | \$20,667,514 | \$21,400,358 | \$22,122,520 |

Appendix C (continued)

| | FY'16 | FY'17 | FY'18 | FY'19 |
|---|---------------|---------------|---------------|---------------|
| Education Services | \$72,332,428 | \$75,116,118 | \$77,779,562 | \$80,404,296 |
| - Proprietary and public higher education | \$30,091,194 | \$31,249,260 | \$32,357,248 | \$33,449,164 |
| - Nonprofit private higher education services to households | \$18,434,192 | \$19,143,614 | \$19,822,362 | \$20,491,310 |
| - Elementary and secondary schools | \$7,306,488 | \$7,587,650 | \$7,856,758 | \$8,121,848 |
| - Day care and nursery schools | \$3,318,378 | \$3,446,072 | \$3,568,278 | \$3,688,720 |
| - Commercial and vocational schools | \$13,182,176 | \$13,689,522 | \$14,174,916 | \$14,653,254 |
| Personal, household and business services | \$74,839,562 | \$77,726,544 | \$80,488,576 | \$83,209,056 |
| - Legal services | \$12,970,104 | \$13,469,218 | \$13,946,772 | \$14,417,466 |
| - Tax preparation and other related services | \$5,640,488 | \$5,857,558 | \$6,065,220 | \$6,269,942 |
| - Employment agency services | \$54,586 | \$56,644 | \$58,702 | \$60,662 |
| - other personal business services | \$1,778,896 | \$1,847,300 | \$1,912,862 | \$1,977,346 |
| - Labor organization dues | \$2,644,138 | \$2,745,862 | \$2,843,274 | \$2,939,216 |
| - Professional association dues | \$1,936,382 | \$2,010,960 | \$2,082,206 | \$2,152,472 |
| - Funeral and burial services | \$6,256,320 | \$6,497,106 | \$6,727,406 | \$6,954,472 |
| - Hairdressing salons and personal grooming establishments | \$11,829,972 | \$12,285,182 | \$12,720,792 | \$13,150,130 |
| - Miscellaneous personal care services | \$11,685,030 | \$12,134,752 | \$12,564,972 | \$12,989,018 |
| - Laundry and dry-cleaning services | \$2,106,314 | \$2,187,360 | \$2,264,976 | \$2,341,416 |
| - Clothing repair, rental and alterations | \$382,102 | \$396,802 | \$410,816 | \$424,732 |
| - Repair and hire of footwear | \$32,536 | \$35,084 | \$37,436 | \$39,494 |
| - Domestic services | \$6,024,256 | \$6,256,124 | \$6,477,996 | \$6,696,536 |
| - Moving, storage and freight services | \$3,193,330 | \$3,316,222 | \$3,433,822 | \$3,549,756 |
| - Repair of furniture, furnishings and floor coverings | \$23,814 | \$25,676 | \$27,440 | \$28,910 |
| - Repair of household appliances | \$114,268 | \$123,284 | \$131,712 | \$139,062 |
| - Other household services | \$4,543,770 | \$4,718,700 | \$4,885,986 | \$5,050,822 |
| - Garbage and trash collection | \$3,623,256 | \$3,762,710 | \$3,896,186 | \$4,027,604 |
| Social services | \$49,645,428 | \$51,555,840 | \$53,383,932 | \$55,185,270 |
| - Child care | \$8,188,684 | \$8,503,754 | \$8,805,300 | \$9,102,436 |
| - Homes for the elderly | \$6,088,446 | \$6,322,666 | \$6,546,890 | \$6,767,782 |
| - Residential mental health and substance abuse facilities | \$5,881,666 | \$6,108,046 | \$6,324,626 | \$6,538,070 |
| - Individual and family services | \$18,461,142 | \$19,171,642 | \$19,851,370 | \$20,521,298 |
| - Vocational rehabilitation services | \$1,617,196 | \$1,679,426 | \$1,739,010 | \$1,797,614 |
| - Community food and housing/emergency/other relief services | \$1,244,208 | \$1,292,130 | \$1,337,896 | \$1,383,074 |
| - Other social assistance | \$1,697,360 | \$1,762,628 | \$1,825,152 | \$1,886,696 |
| - Social advocacy and civic and social organizations | \$5,161,464 | \$5,360,110 | \$5,550,132 | \$5,737,410 |
| - Religious organizations' services to households | \$1,073,296 | \$1,114,554 | \$1,154,146 | \$1,193,052 |
| - Foundations and grant making and giving services to households | \$231,966 | \$240,884 | \$249,410 | \$257,838 |
| 2) Business Purchases of Services Tax Expenditures | | | | |
| Transportation Services | \$78,915,480 | \$80,890,278 | \$83,265,308 | \$85,527,932 |
| - Air transportation | \$12,405,624 | \$12,711,090 | \$13,040,762 | \$13,337,702 |
| - Rail transportation | \$1,115,338 | \$1,142,876 | \$1,177,176 | \$1,210,496 |
| - Water transportation | \$1,805,160 | \$1,847,496 | \$1,897,378 | \$1,946,770 |
| - Truck transportation | \$7,071,386 | \$7,245,924 | \$7,466,326 | \$7,680,652 |
| - Transit and ground passenger transportation | \$5,726,826 | \$5,866,378 | \$6,017,592 | \$6,156,066 |
| - Scenic and sightseeing transportation and support activities for transportation | \$16,207,044 | \$16,616,782 | \$17,119,718 | \$17,605,014 |
| - Couriers and messengers | \$14,447,454 | \$14,828,380 | \$15,292,116 | \$15,736,840 |
| - Warehousing and storage | \$20,136,648 | \$20,631,352 | \$21,254,240 | \$21,854,392 |
| Information services | \$34,885,452 | \$35,690,326 | \$36,543,416 | \$37,328,886 |
| - Directory mailing list and other publishing services | \$1,322,216 | \$1,349,068 | \$1,376,998 | \$1,403,850 |
| - Software publishing | \$477,260 | \$487,158 | \$499,702 | \$512,638 |
| - Motion picture and video services | \$8,151,052 | \$8,325,002 | \$8,493,660 | \$8,651,440 |
| - Sound recording | \$922,376 | \$946,778 | \$972,258 | \$996,268 |
| - Radio and television broadcasting | \$1,474,606 | \$1,504,594 | \$1,534,190 | \$1,562,120 |
| - Internet publishing and broadcasting and web search portals | \$2,542,708 | \$2,617,286 | \$2,692,354 | \$2,760,072 |
| - Data processing hosting and related services | \$19,091,870 | \$19,537,182 | \$20,029,632 | \$20,477,492 |
| - News syndicates, libraries, archives and all other information services | \$903,364 | \$923,258 | \$944,622 | \$965,006 |
| Financial Services | \$211,161,678 | \$216,071,380 | \$221,019,008 | \$224,903,924 |
| - Monetary authorities and depository credit intermediation | \$33,948,572 | \$34,746,684 | \$35,569,198 | \$36,248,632 |
| - Nondepository credit intermediation and related activities | \$21,563,920 | \$22,047,648 | \$22,551,368 | \$22,954,344 |
| - Securities and commodity contracts, intermediation and brokerage | \$14,473,032 | \$14,808,192 | \$15,151,976 | \$15,433,432 |
| - Other financial investment activities | \$17,520,538 | \$17,931,060 | \$18,362,946 | \$18,724,664 |
| - Insurance carriers | \$66,847,466 | \$68,576,186 | \$70,387,030 | \$71,943,956 |
| - Insurance agencies, brokerages and related activities | \$55,409,494 | \$56,534,828 | \$57,544,816 | \$58,133,306 |

| Appendix C (continued) | FY'16 | FY'17 | FY'18 | FY'19 |
|---|----------------------|----------------------|----------------------|----------------------|
| - Funds, trusts and other financial vehicles | \$1,398,656 | \$1,426,782 | \$1,451,674 | \$1,465,590 |
| - Consumer goods and general rental centers | \$2,992,724 | \$3,074,946 | \$3,165,302 | \$3,249,484 |
| - Commercial and industrial machinery and equipment rental and leasing | \$13,862,688 | \$14,217,840 | \$14,608,664 | \$14,982,044 |
| - Lessors of nonfinancial intangible assets | \$20,376,356 | \$20,859,888 | \$21,375,564 | \$21,834,302 |
| Legal, Business, Administrative, and Support Services | \$457,674,504 | \$469,053,578 | \$481,350,422 | \$492,418,640 |
| - Legal services | \$30,171,064 | \$30,959,964 | \$31,788,750 | \$32,531,296 |
| - Accounting, tax preparation, bookkeeping and payroll services | \$22,919,554 | \$23,513,728 | \$24,147,984 | \$24,720,206 |
| - Architectural, engineering and related services | \$39,883,452 | \$40,808,474 | \$41,802,488 | \$42,706,342 |
| - Specialized design services | \$5,120,990 | \$5,240,648 | \$5,371,478 | \$5,489,078 |
| - Custom computer programming services | \$1,272,334 | \$1,293,796 | \$1,317,218 | \$1,336,818 |
| - Computer systems design services | \$18,209,380 | \$18,640,384 | \$19,135,578 | \$19,591,670 |
| - Other computer related services including facilities management | \$11,825,464 | \$12,147,786 | \$12,483,632 | \$12,787,726 |
| - Management consulting services | \$26,890,024 | \$27,656,090 | \$28,468,020 | \$29,216,642 |
| - Environmental and other technical consulting services | \$6,185,760 | \$6,363,532 | \$6,551,398 | \$6,725,054 |
| - Scientific research and development services | \$1,930,306 | \$1,996,750 | \$2,058,588 | \$2,112,684 |
| - Advertising and related services | \$69,054,426 | \$70,840,280 | \$72,795,772 | \$74,585,056 |
| - All other miscellaneous professional, scientific and technical services | \$11,675,034 | \$11,955,706 | \$12,258,624 | \$12,529,496 |
| - Photographic services | \$575,750 | \$594,370 | \$612,108 | \$627,592 |
| - Veterinary services | \$1,224,902 | \$1,255,478 | \$1,291,248 | \$1,326,528 |
| - Management of companies and enterprises | \$103,219,676 | \$105,550,508 | \$108,152,898 | \$110,485,298 |
| - Other administrative services | \$9,539,026 | \$9,805,488 | \$10,084,396 | \$10,336,354 |
| - Facilities support services | \$1,374,646 | \$1,403,164 | \$1,439,424 | \$1,476,468 |
| - Employment services | \$40,690,874 | \$41,746,726 | \$42,820,316 | \$43,727,306 |
| - Business support services | \$14,243,908 | \$14,612,094 | \$15,013,110 | \$15,376,592 |
| - Travel arrangement and reservation services | \$4,922,932 | \$5,048,274 | \$5,176,262 | \$5,285,336 |
| - Investigation and security services | \$9,047,164 | \$9,254,728 | \$9,473,366 | \$9,655,352 |
| - Services to buildings and dwellings | \$2,770,656 | \$2,828,084 | \$2,901,094 | \$2,975,868 |
| - Other support services | \$8,576,960 | \$8,784,524 | \$9,017,568 | \$9,229,640 |
| - Waste management and remediation services | \$16,350,222 | \$16,753,002 | \$17,189,102 | \$17,584,238 |
| Educational Services | \$7,207,508 | \$7,379,890 | \$7,592,060 | \$7,800,212 |
| - Junior colleges, colleges, universities, and professional schools | \$3,773,294 | \$3,860,514 | \$3,971,058 | \$4,080,818 |
| - Other educational services | \$3,434,214 | \$3,519,376 | \$3,621,002 | \$3,719,394 |
| Medical Services | \$12,419,344 | \$12,759,894 | \$13,144,838 | \$13,521,550 |
| - Offices of physicians | \$921,788 | \$946,288 | \$970,788 | \$995,778 |
| - Offices of dentists | \$209,034 | \$213,444 | \$218,932 | \$224,518 |
| - Offices of other health practitioners | \$1,198,246 | \$1,223,040 | \$1,254,694 | \$1,287,034 |
| - Outpatient care centers | \$1,719,606 | \$1,755,180 | \$1,800,554 | \$1,846,908 |
| - Medical and diagnostic laboratories | \$2,998,506 | \$3,091,116 | \$3,192,448 | \$3,289,468 |
| - Other ambulatory health care services | \$3,908,044 | \$4,030,446 | \$4,164,118 | \$4,291,910 |
| - Hospitals | \$546,350 | \$563,598 | \$582,316 | \$600,250 |
| - Nursing and community care facilities | \$885,038 | \$903,364 | \$926,688 | \$950,502 |
| - Residential mental retardation, mental health, substance abuse and other | \$32,732 | \$33,418 | \$34,300 | \$35,182 |
| Social Services | \$249,116 | \$254,114 | \$260,680 | \$267,442 |
| - Individual and family services | \$105,546 | \$107,702 | \$110,446 | \$113,288 |
| - Community food, housing and other relief services including rehabilitation services | \$18,032 | \$18,326 | \$18,816 | \$19,306 |
| - Child day care services | \$125,538 | \$128,086 | \$131,418 | \$134,848 |
| Amusement and recreational services | \$11,348,008 | \$11,633,286 | \$11,922,876 | \$12,186,790 |
| - Performing arts companies | \$1,055,558 | \$1,087,996 | \$1,119,846 | \$1,148,952 |
| - Spectator sports | \$2,472,344 | \$2,526,734 | \$2,579,458 | \$2,627,576 |
| - Promoters of performing arts and sports and agents for public figures | \$1,463,728 | \$1,504,006 | \$1,544,970 | \$1,582,896 |
| - Independent artists, writers and performers | \$3,888,150 | \$3,983,112 | \$4,079,348 | \$4,166,078 |
| - Amusement parks and arcades | \$91,140 | \$94,178 | \$97,020 | \$99,568 |
| - Gambling Industries (except casino hotels) | \$38,024 | \$38,906 | \$39,886 | \$40,866 |
| - Other amusement and recreational industries | \$2,339,064 | \$2,398,354 | \$2,462,348 | \$2,520,854 |
| Repair, Maintenance , and Personal Services | \$28,544,754 | \$29,699,586 | \$30,859,416 | \$32,010,426 |
| - Automotive repair and maintenance | \$3,812,396 | \$4,002,614 | \$4,188,030 | \$4,376,680 |
| - Electronic and precision equipment repair and maintenance | \$5,131,770 | \$5,345,802 | \$5,564,146 | \$5,786,998 |
| - Commercial and Industrial machinery repair and maintenance | \$7,180,068 | \$7,543,648 | \$7,896,644 | \$8,255,716 |
| - Personal and household goods repair and maintenance | \$2,995,076 | \$3,132,276 | \$3,267,418 | \$3,404,030 |
| - Personal care services | \$75,754 | \$77,126 | \$78,694 | \$80,066 |
| - Dry-cleaning and laundry services | \$4,001,732 | \$4,111,688 | \$4,234,384 | \$4,350,808 |
| - other personal services | \$1,560,944 | \$1,603,476 | \$1,649,732 | \$1,693,440 |
| - Civic, social, professional and similar organizations | \$3,787,014 | \$3,882,956 | | |
| \$3,980,368 | \$4,062,688 | | | |

Appendix D: Distribution of Select Tax Expenditures, Full-year Residents, Tax Year 2018

| <u>Expanded Income</u> | Families | Pension deduction | | Social Security taxable at federal level | | Itemized deduction | |
|--|----------------|---------------------------|-------------------------|--|-------------------------|---------------------------|-------------------------|
| | | Families with tax benefit | Tax benefit (\$million) | Families with tax benefit | Tax benefit (\$million) | Families with tax benefit | Tax benefit (\$million) |
| -\$ Infinity <= 19171 | 141,188 | 78 | \$0.0 | 0 | \$0.0 | 0 | \$0.0 |
| 19171 <= 26469 | 70,594 | 554 | \$0.1 | 62 | \$0.0 | 234 | \$0.0 |
| 26469 <= 34894 | 70,594 | 1,499 | \$0.4 | 357 | \$0.1 | 551 | \$0.1 |
| 34894 <= 44547 | 70,593 | 2,896 | \$1.0 | 3,377 | \$0.5 | 1,468 | \$0.4 |
| 44547 <= 57251 | 70,595 | 4,958 | \$2.2 | 10,357 | \$2.7 | 2,741 | \$1.0 |
| 57251 <= 72800 | 70,593 | 7,578 | \$3.5 | 18,667 | \$8.1 | 4,112 | \$1.7 |
| 72800 <= 96626 | 70,594 | 10,780 | \$6.7 | 25,870 | \$21.0 | 5,807 | \$2.6 |
| 96626 <= 138023 | 70,594 | 11,101 | \$9.1 | 21,555 | \$28.7 | 6,747 | \$2.9 |
| 138023 <= \$ Infinity | 70,593 | 8,624 | \$8.8 | 14,291 | \$27.9 | 10,838 | \$3.2 |
| Totals | 705,938 | 48,068 | \$31.8 | 94,537 | \$88.9 | 32,497 | \$12.0 |
| <u>Top Decile Decomposition: 90-95, 95-99, and 99+ :</u> | | | | | | | |
| 138023 <= 187211 | 35,297 | 4,785 | \$4.7 | 7,921 | \$13.7 | 4,494 | \$1.7 |
| 187211 <= 392395 | 28,237 | 3,234 | \$3.7 | 5,134 | \$11.4 | 6,213 | \$1.5 |
| 392395 <= \$ Infinity | 7,059 | 605 | \$0.5 | 1,236 | \$2.7 | 132 | \$0.0 |

Note: The dollar amounts represent the total tax expenditure.