



**Maine State Tax Expenditure Report
2016 – 2017**

&

Maine Tax Incidence Study

A Distributional Analysis Maine's State and Local Taxes

**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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Rep. Adam A. Goode, 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).

Included in this biennium's report are two appendices showing the distributional impact of several tax expenditures (Appendix D) and the distribution of individual income, sales and excise, and property taxes on Maine resident tax families (Appendix E). The latter appendix is provided pursuant to 36 M.R.S.A. § 200. We hope the inclusion of all this information in one report will provide the committee with quick and easy access to data on Maine's state and local tax system.

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.

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

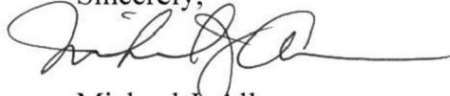
Sincerely,

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 2016-17 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 16 and FY 17 generally assume modest increases in business activity and inflation, based on the economic forecast provided by the Consensus Economic Forecasting Committee in November 2014.

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 20014-2018*, compiled by the U.S. Joint Standing Committee on Taxation (August 5, 2014).

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.

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 '16 \$31,771,938

FY '17 \$36,948,340

Methods used to calculate the revenue loss

Estimates based on the Revenue Forecasting Committee report.

Number of tax payers affected

4,719 exemptions in 2013

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. All reimbursements are reduced 10% for the application period beginning in August 2013 and 20% for the application period beginning in August 2014. 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 '16 \$35,000,000

FY '17 \$32,000,000

Methods used to calculate the revenue loss

Estimates based on the Revenue Forecasting Committee report.

Number of taxpayers affected

1,545 businesses requested reimbursement for 2012 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 '16 \$0-\$200,000

FY '17 \$0-\$200,000

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 '16 \$74,404,000

FY '17 \$76,864,000

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 70,000 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 '16 \$0 - \$49,999

FY '17 \$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

Fewer than 1,000 taxpayers affected.

1.006 Deduction for premiums paid for long-term health care insurance.

36 M.R.S.A. § 5122-(2)(L&T)

For income tax years beginning on or after January 1, 2004, federal adjusted gross income is reduced by the total premiums spent for qualified long-term care insurance contracts reduced by any amount claimed as a deduction for federal income tax purposes and by the long-term care premiums claimed as an itemized deduction.

Reason(s) for exemption

The deduction provides an incentive for taxpayers to save towards extraordinary medical expenses.

Estimated General Fund revenue loss

FY '16 \$1,966,000

FY '17 \$1,985,000

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 4,250 taxpayers affected.

1.007 Deduction for pension income.

36 M.R.S.A. § 5122(2)(M)

Federal adjusted gross income is reduced by the lesser of: (1) \$6,000, 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 included in the individual's federal adjusted gross income.

Beginning in 2014 the \$6,000 maximum deduction is increased to \$10,000 and taxable distributions from individual retirement accounts are also eligible for the deduction.

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

To provide some degree of equity between public and private pension providers.

Estimated General Fund revenue loss

FY '16 \$26,125,000

FY '17 \$26,647,000

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 53,000 taxpayers are estimated to benefit from the pension deduction after the deduction is expanded to taxable IRA distributions.

1.008 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 '16 \$42,000

FY '17 \$42,000

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

400-500 taxpayers

1.009 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 '16 \$0 – \$49,999

FY '17 \$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

Approximately 5 taxpayers affected each year.

1.010 Deduction for contributions to IRC 529 qualified tuition plans.

36 M.R.S.A. § 5122-(2)(Y)

For tax years beginning on or after January 1, 2007, federal adjusted gross income is reduced by contributions to a qualified tuition program established under § 529 of the Code up to \$250 per designated beneficiary. The deduction may not be claimed by single or married filing separate taxpayers with federal adjusted gross income exceeding \$100,000 or married joint or head of household taxpayers with federal adjusted gross income exceeding \$200,000.

Reason(s) for exemption

Provides an incentive for Maine taxpayers to save towards future educational expenses for family members.

Estimated General Fund revenue loss

FY '16 \$270,000

FY '17 \$289,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 5,400 taxpayers affected.

1.011 Deduction for dentists with military pensions.

36 M.R.S.A. § 5122-(2)(BB)

For tax years beginning on or after January 1, 2008, certain licensed dentists may reduce Maine taxable income by the amount of military retirement benefits not included in the pension income deduction allowed by 36 M.R.S.A. § 5122(2)(M) or § 5122(2)(M-1). Dentists may claim this deduction only if they practice an average of 20 hours or more per week in Maine during the tax year and accept patients who receive MaineCare benefits.

Reason(s) for exemption

Provides an incentive for certain retired dentists to reestablish their dental practice.

Estimated General Fund revenue loss

FY '16 \$0 - \$49,999

FY '17 \$0 - \$49,999

Methods used to calculate the revenue loss

Estimates based on the fiscal analysis provided to the Legislature.

Number of taxpayers affected

Fewer than 50 taxpayers affected.

1.012 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 '16 \$1,928,000

FY '17 \$1,985,000

Methods used to calculate the revenue loss

Estimates based on the fiscal analysis provided to the Legislature.

Number of taxpayers affected

Between 2,000 to 3,000 tax returns annually.

1.013 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 2013, Maine itemized deductions are limited to \$27,500. This limit is adjusted for inflation in future years.

For tax years beginning in 2014, the medical expense deduction is not limited and the itemized deduction cap applies to non-medical expense deductions.

For the tax year beginning in 2016, a taxpayer may claim an additional deduction of up to \$18,000 for charitable contributions disallowed under the itemized deduction cap.

For tax years beginning after 2016, the charitable contribution deduction is not limited and the itemized deduction cap applies to itemized deductions other than medical expenses and charitable contributions.

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 '16 \$60,496,000

FY '17 \$68,941,000

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 140,000 taxpayers affected.

1.014 Additional standard deduction for the blind and elderly. *36 M.R.S.A. § 5124-A*

For tax years beginning in 2014, taxpayers who are blind may take an additional \$1,550 standard deduction if single, or \$1,200 if married.

For tax years beginning in 2014, taxpayers who are 65 years or older may take an additional \$1,550 standard deduction if single, or \$1,200 if married.

Reason(s) for exemption

Provide tax relief for the elderly and blind.

Estimated General Fund revenue loss

FY '16 \$5,681,000

FY '17 \$5,871,000

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 46,000 taxpayers affected.

1.015 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 '16 \$0 – \$49,999

FY '17 \$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.

1.016 Credit for income tax paid to another state by an estate or trust.

36 M.R.S.A. § 5165

A resident estate or trust is allowed a credit for income tax paid to another state, a political subdivision of such state, the District of Columbia or political subdivision of a foreign country that is analogous to a state of the United States with respect to income subject to tax from sources in that taxing jurisdiction.

Reason(s) for exemption

Prevents double taxation at the state level for Maine resident taxpayers with non-Maine source income.

Estimated General Fund revenue loss

FY '16 \$0 – \$49,999

FY '17 \$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.

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

36 M.R.S.A. §§ 5200-A-(2)(K) and 5200-A(2)(A)

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 '16 \$190,000

FY '17 \$190,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

100-150 taxpayers

1.018 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 '16 \$0 – \$49,999

FY '17 \$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.

1.019 Jobs and investment tax credit.

36 M.R.S.A. § 5215

An employer is allowed an income tax credit equal to a former qualified federal credit. The credit is available for taxable years beginning on or after January 1, 1979, except that a credit may be taken with respect to used property, and may not be allowed with respect to certain retail property. The tax credit for any taxable year is applicable only to those taxpayers with property considered to be a qualified investment of at least \$5,000,000 for the taxable year with a situs in Maine and placed into service by the taxpayer on or after January 1, 1979. The taxpayer's tax records and reports must substantiate that at least 100 new jobs attributable to a qualified investment were created in the 24-month period following the date the property was placed in service. The amount of the credit allowed for any taxable year is limited to \$500,000 or the amount of the tax, whichever is less. Unused credits may be carried over to future years, but the carryforward period must not exceed 6 years.

Reason(s) for exemption

Provides an incentive to businesses to make substantial capital investments in the state.

Estimated General Fund revenue loss

FY '16 \$0 - \$500,000

FY '17 \$0 - \$500,000

Methods used to calculate the revenue loss

Estimate is based on information from the Maine Revenue Services data warehouse. The credit has not been claimed in recent years and there is a significant possibility that this trend will continue. When the credit has been claimed in the past, it has usually claimed up to the \$500,000 maximum per year.

Number of taxpayers affected

Fewer than 5 taxpayers affected.

1.020 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 '16 \$1,824,000

FY '17 \$2,679,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

200-300 taxpayers

1.021 Credit for contributions to family development account reserve funds.

36 M.R.S.A. § 5216-C

A taxpayer who contributes to a family development account reserve fund is allowed a credit equal to the lesser of (1) \$25,000 or (2) 50% of the amount contributed. Only one credit can be claimed on an annual income tax return. A taxpayer must first exhaust all other credits they are eligible for before using this credit. The amount of the credit claimed may not reduce the taxpayer's tax liability to less than zero. Amount used as a basis for this credit may not be claimed for Maine itemized deductions.

Reason(s) for exemption

Provides an incentive for savings by low income households.

Estimated General Fund revenue loss

FY '16 \$0 - \$49,999

FY '17 \$0 - \$49,999

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Fewer than 10 taxpayers affected.

1.022 Credit for employer-assisted day care.

36 M.R.S.A. § 5217

An employer is allowed a credit against costs incurred for day care services provided to employees. The credit is equal to the lowest of: (1) \$5,000, (2) 20% of the cost of the day care services provided, or (3) \$100 for each child of an employee of the taxpayer enrolled in the day care service. The credit doubles in amount if the day care service is considered quality child care service.

“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

Designed to help reduce employee absenteeism and unproductive work time. It provides an incentive for employers to become more involved in the provision of day care for their employees.

Estimated General Fund revenue loss

FY ‘16 \$0 - \$49,999

FY ‘17 \$0 - \$49,999

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Fewer than 30 taxpayers affected.

1.023 Credit for income tax paid to another taxing jurisdiction.

36 M.R.S.A. § 5217-A

A resident individual is allowed a credit in computing tax liability in Maine for the amount of income tax imposed on that individual by another state of the United States, a political subdivision of any such state, the District of Columbia or any political subdivision of a foreign country that is analogous to a state of the United States with respect to income subject to tax derived from sources in that taxing jurisdiction. The credit is limited to the Maine income tax related to the out-of-state income.

Reason(s) for exemption

Prevents a hardship in the form of double taxation to the citizens of Maine.

Estimated General Fund revenue loss

FY '16 \$46,540,000

FY '17 \$48,393,000

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 14,000 taxpayers affected.

1.024 Credit for employer-provided long-term care benefits.

36 M.R.S.A. § 5217-C

An employer is allowed a credit for long-term care benefits provided to employees. The credit is equal to the lowest of: (1) \$5,000, (2) 20% of the cost of the long-term care insurance, or (3) \$100 for each employee covered by the employer-provided long-term care insurance program. The credit may not exceed the tax otherwise due. Unused credits may be carried forward up to 15 years.

Reason(s) for exemption

Provides an incentive to employers to provide their employees with long-term care benefits.

Estimated General Fund revenue loss

FY '16 \$0 – \$49,999

FY '17 \$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

Fewer than 5 taxpayers affected.

1.025 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 earn an associate or bachelor's degree from a Maine college or university and who subsequently live, work, and pay taxes in Maine. This requirement is eliminated for tax years beginning after 2015 and replaced with a requirement that the employee work in Maine. The credit is available for individuals graduating after 2007 and is prorated by the fraction of coursework for the degree occurring after 2007. The credit is available to eligible graduates and employers making loan payments on behalf of qualifying employees. 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 employer credit is limited to eligible payments made during the term of the qualified employee's employment and is also limited to 50% of the credit amount if the qualified employee works only part-time (16-32 hours weekly). A qualified employee is an employee that would be eligible to claim the credit if they had made the loan payments. Beginning in 2012, an employer may claim the credit for payments on behalf of an employee who is not eligible to claim the credit solely because the employee's degree was awarded by an accredited non-Maine community college, college or university. The employer credit cannot exceed the amount that the qualified employee could claim as a credit if the employee had made the loan payments.

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

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 '16 \$7,049,000

FY '17 \$9,376,000

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 2,600 taxpayers in 2013; this number will rise in future years.

1.026 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.

“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 ‘16 \$3,676,000

FY ‘17 \$3,676,000

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 27,000 taxpayers affected.

1.027 Retirement and disability credit.

36 M.R.S.A. § 5219-A

Individuals who have attained age 65 or who retired on disability before the close of the tax year are allowed a credit equal to 20% of the federal credit under the Code, § 22. In no case may this credit reduce the Maine income tax to less than zero. Federal adjusted gross income must be below \$17,500 for single taxpayers, \$25,000 for married taxpayers.

Reason(s) for exemption

Provides tax relief to elderly or disabled low income individuals.

Estimated General Fund revenue loss

FY '16 \$1,000

FY '17 \$1,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 20 taxpayers affected.

1.028 Forest management planning income credits.

36 M.R.S.A. § 5219-C

Once every 10 years, a taxpayer incurring forest management planning costs is allowed a credit equal to the lesser of \$200 or the individual's cost for having the forest management plan developed. Eligible parcels are limited to parcels greater than 10 acres.

Reason(s) for exemption

Provides an incentive to practice good forest management by allowing a credit for all or a portion of the cost of the program.

Estimated General Fund revenue loss

FY'16 \$61,000

FY'17 \$63,000

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 350 taxpayers affected.

1.029 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 '16 \$475,000

FY '17 \$498,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 50 taxpayers affected.

1.030 Super credit for substantially increased research & development.

36 M.R.S.A. § 5219-L

This credit is based on research expenses incurred prior to 2014; except for the carry forward of unused credit amounts, the credit is repealed for tax years beginning after 2013. The credit was available to taxpayers that qualify for the Research Expense Tax Credit (see 36 M.R.S.A. § 5219-K) and whose qualified research expenses (as defined by IRC § 41 as of December 31, 1994) exceeded the super credit base amount. The super credit base amount was the average research expense for the three taxable years immediately preceding June 12, 1997, increased by 50%. The credit applied only to the amount spent on research conducted in Maine. The credit was equal to the excess qualified research expenses over the super credit base amount. Beginning in 2014, the credit (limited to carry forward amounts only) is limited to the lesser of 25% of the tax due after all other credits and the previous year's tax liability after the application of other credits. Any unused credit amount may be carried over for 10 years. Special rules apply to corporations filing a Maine combined return.

Reason(s) for exemption

Provided an incentive for businesses to substantially increase investment in research and development in Maine.

Estimated General Fund revenue loss

FY '16 \$1,132,000

FY '17 \$1,057,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 50 individual taxpayers and fewer than 5 corporations affected.

1.031 High-technology investment tax credit.

36 M.R.S.A. § 5219-M

This credit is available to taxpayers engaged in high-technology activity that purchase and use eligible equipment or that lease eligible equipment from a lessor. High-technology activity includes the design, creation and production of computer software, computer equipment, supporting communications components and other accessories that are directly associated with computer software and equipment. It also includes the provision of internet access services and advanced telecommunications services. Eligible equipment includes computer equipment, electronic components and accessories, communication equipment and computer software placed into service in Maine. Eligible equipment must be used in a high-technology activity. Eligible equipment used in wire line telecommunications must be capable of transmitting data at 200 kilobits or more per second in at least one direction. Eligible equipment used in wireless telecommunications must be capable of transmitting data at 42 kilobits or more per second in at least one direction. Generally the credit is equal to the investment credit base of eligible equipment that was placed into service in Maine during the tax year. The investment credit base is the adjusted basis of the equipment on the date that the equipment was placed into service in Maine for the first time.

The credit (including carry forward amounts) is limited to the tax liability of the taxpayer and may not reduce the tax liability of the current year to less than the tax liability of the previous year after all other credits except the High-technology credit. In addition, the credit may not be used to reduce the tax liability of the taxpayer by more than \$100,000 after the allowance of all other credits except the Family Development Account Reserve Fund Credit (36 M.R.S.A. § 5216-C) and the Super Research Credit (36 M.R.S.A. § 5219-L). Generally, unused credit amounts may be carried forward for up to 5 taxable years; however, certain unused credits may be carried forward for up to 10 years.

Reason(s) for exemption

Provides an incentive for businesses to invest in equipment that is used in high-technology business activity.

Estimated General Fund revenue loss

FY '16 \$912,000

FY '17 \$912,000

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 60 taxpayers affected.

1.032 Credit for dependent health benefits paid.

36 M.R.S.A. § 5219-O

This credit is available to employers that offer a qualified health benefit plan and that employ fewer than five employees. This credit is equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health coverage. A taxpayer that employs five or more employees after qualifying for the credit may continue to qualify for the credit for another two years. Otherwise, a taxpayer may claim a credit only for those periods during which the employer: 1) offers a qualified health benefit plan that is made available to all of its low-income employees; 2) pays at least 80% of the health insurance costs for each low-income employee under the plan; and 3) pays at least 60% of the cost of dependent health insurance benefits for children under 19 who are dependents of low-income employees under the plan. The credit is limited to 50% of the regular income tax due. Any unused credit may be carried forward for two years.

Reason(s) for exemption

Provides an incentive for small employers to provide health insurance coverage to low-income employees.

Estimated General Fund revenue loss

FY '16 \$0 – \$49,999

FY '17 \$0 – \$49,999

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Fewer than 5 taxpayers affected.

1.033 Quality child care investment credit.

36 M.R.S.A. § 5219-Q

A taxpayer that has made an investment during the tax year toward the goal of providing quality child-care services is allowed a credit in an amount equal to the qualifying portion of expenditures paid or expenses incurred by the taxpayer for certified investments in child-care services. For corporations, the qualifying portion is 30% of up to \$30,000 of expenditures, apportioned if part of an affiliated group engaged in a unitary business. For individual taxpayers that expend at least \$10,000 during the tax year, the qualifying portion is \$1,000 each year for nine years and \$11,000 in year ten. The credit is limited to the income tax otherwise due, excluding minimum tax, but any excess can be carried over to the following year or years until exhausted.

“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

Provides an incentive for the provision of quality child care services in Maine. The credit has the impact of lowering the cost of expenditures made by affected service providers.

Estimated General Fund revenue loss

FY ‘16 \$0 – \$49,999

FY ‘17 \$0 – \$49,999

Methods used to calculate the revenue loss

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

Number of taxpayers affected

Approximately 5 taxpayers affected.

1.034 Credit for rehabilitation of historic properties.

36 M.R.S.A. §§ 5219-R & 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.

A taxpayer that is entitled to a credit under § 47 of the Code for building number 2 located in the Lockwood Mill Historic District is allowed a refundable credit in lieu of the credit described above. The credit is equal to the federal credit determined under the Code, § 47. This refundable credit applies to tax years beginning on or after January 1, 2008 but before January 1, 2014. The annual credit may not exceed \$1,000,000 per year.

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 '16 \$13,062,000

FY '17 \$13,172,000

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. The effect of the changes to the credit limitation are highly uncertain and future credits could potentially be significantly larger than anticipated.

Number of taxpayers affected

Approximately 125 individual and corporate taxpayers are affected.

1.035 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. The credit may not reduce the state income tax to less than zero.

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 '16 \$902,000

FY '17 \$855,000

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 20,000 taxpayers

1.036 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 '16 \$2,109,000

FY '17 \$2,223,000

Methods used to calculate the revenue loss

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

Number of tax payers affected

Approximately 15 corporate taxpayers and 120 individual taxpayers

1.037 Biofuel commercial production and commercial use.

36 M.R.S.A. § 5219-X

A taxpayer engaged in the production of biofuels in Maine who has received certification from the Commissioner of Environmental Protection is allowed a credit against tax imposed on income derived during the taxable year from the production of biofuel. The credit is equal to five cents per gallon of certified liquid biofuel or gaseous biofuel. The credit is applicable only to the tax imposed on income from biofuel production and may not reduce the taxpayer's liability to less than zero, but unused credits may be carried over to the next succeeding five taxable years.

Reason(s) for exemption

Provides an incentive for the production of biofuels in the state.

Estimated General Fund revenue loss

FY '16 \$0 - \$49,999

FY '17 \$0 - \$49,999

Methods used to calculate the revenue loss

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

Number of tax payers affected

Fewer than 5 taxpayers affected.

1.038 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 '16 \$247,000

FY '17 \$256,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature and the program applicants that have participated to date.

Number of tax payers affected

Approximately 10 taxpayers affected.

1.039 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 ‘16 \$125,000

FY ‘17 \$106,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature.

Number of tax payers affected

Approximately twenty taxpayers affected.

1.040 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 '16 \$9,205,000

FY '17 \$13,509,000

Methods used to calculate the revenue loss

Estimate is based on information provided by the Finance Authority of Maine.

Number of tax payers affected

No estimate available

1.041 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 '16 \$310,000

FY '17 \$319,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature.

Number of tax payers affected

No estimate available

1.042 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 '16 \$0-50,000

FY '17 \$0-50,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature. No credits have been claimed as of December 2014.

Number of tax payers affected

As of December 31, 2014 no credit certificates have been issued by the Department of Inland Fisheries and Wildlife

1.043 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 ‘16 \$0 - \$4,000,000

FY ‘17 \$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.

1.044 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 '16 \$118,000

FY '17 \$186,000

Methods used to calculate the revenue loss

Estimate is based on fiscal analysis provided to the Legislature.

Number of taxpayers affected

Fewer than 25 once the program is fully implemented.

1.045 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 2014, 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. These limits are adjusted for inflation after 2014. 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) and 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 '16 \$30,523,000

FY '17 \$29,108,000

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 80,000 taxpayers in 2013.

1.046 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 '16 \$14,011,000

FY '17 \$14,671,000

Methods used to calculate the revenue loss

Estimate is based on claims through calendar year 2013.

Number of taxpayers affected

Approximately 160 taxpayers affected.

1.047 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 '16 \$2,850,000

FY '17 \$2,850,000

Methods used to calculate the revenue loss

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

Number of tax payers affected

Fewer than 5 taxpayers affected.

1.048 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 '16 \$1,444,000

FY '17 \$1,491,000

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 6,000 taxpayers.

1.049 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 '16 \$4,094,000

FY '17 \$4,028,000

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 55,000 taxpayers

1.050 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 '16 \$589,000

FY '17 \$606,000

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 4,750 taxpayers affected.

1.051 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 '16 \$5,548,000

FY '17 \$5,548,000

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 15,750 taxpayers.

1.052 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 '16 \$6,108,000

FY '17 \$6,289,000

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.

1.053 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 '16 \$9,063,000

FY '17 \$9,614,000

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.

1.054 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 '16 \$149,831,000

FY '17 \$182,279,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.055 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 '16 \$177,384,000

FY '17 \$186,264,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.056 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 '16 \$43,719,000

FY '17 \$46,110,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.057 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 '16 \$26,343,000

FY '17 \$27,702,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.058 Exclusion of investment income on life insurance and annuity contracts.

36 M.R.S.A. § 5102-(1-D)

Favorable tax treatment is provided for investment income within qualified life insurance and annuity contracts. Investment income earned on qualified life insurance contracts held until death is permanently exempt from income tax. Investment income distributed prior to the death of the insured is tax-deferred. Investment income earned on annuities is treated less favorably than income earned on life insurance contracts, but it benefits from tax deferral without annual contribution or income limits generally applicable to other tax-favored retirement income plans.

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 '16 \$32,903,000

FY '17 \$33,586,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.059 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 '16 \$35,066,000

FY '17 \$37,002,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.060 Exclusion of Medicare benefits – hospital insurance – supplementary medical insurance – prescription drug insurance.

36 M.R.S.A. § 5102-(1-D)

All Medicare benefits are excluded from taxation. The value of Medicare Part A, Part B and Part D insurance generally is greater than the Health Insurance (“HI”) tax contributions that enrollees make during their working 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 ‘16 \$69,479,000

FY ‘17 \$72,788,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, compiled by the U.S. Joint Standing Committee on Taxation.

Number of taxpayers affected

Number of taxpayers affected is not available.

1.061 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 '16 \$55,053,000

FY '17 \$58,501,000

Methods used to calculate the revenue loss

Estimate source: *Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018*, 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'16 \$167,822,096

FY'17 \$171,178,538

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 – 1,107

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 spirituous, malt or vinous liquors; soft drinks, iced tea, sodas or beverages such as are ordinarily dispensed at bars or soda fountains or in connection with bars or soda fountains; 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; water, including mineral, bottled and carbonated waters and ice; dietary substitutes; candy and confections; and prepared food. Prepared food means meals served on or off the premises of the retailer; food and drinks that are prepared by the retailer and ready for consumption without further preparation; and all food and drinks sold from an establishment whose sales of food and drinks that are prepared by the retailer account for more than 75% of the establishment's gross receipts. Prepared food does not include bulk sales of grocery staples.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY'16 \$164,901,000

FY'17 \$171,152,000

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'16 \$250,000 – 999,999

FY'17 \$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'16 \$66,851,500

FY'17 \$69,369,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.005 Prosthetic devices.

36 M.R.S.A. § 1760.5-A.

Sale of prosthetic aids, hearing aids or eyeglasses and artificial devices designed for the use of a particular individual to correct or alleviate physical incapacity; and the sale of crutches, canes, walkers and wheelchairs sold for the use of sick, injured or disabled persons are exempt from the sales and use tax. Sales of crutches, canes, walkers and wheelchairs for rental use are taxable.

“Prosthetic aids” means devices that are worn on or in the human body to replace a missing portion of the body or to correct physical malformity or malfunction. Artificial limbs and artificial eyes; mammary prostheses and brassieres specifically designed to accommodate mammary prostheses; ostomy appliances; enteral feeding devices; dentures, crowns, caps and materials actually used in the repair or replacement of teeth such as dental amalgam and cement; and cardiac pacemakers are examples of items that qualify for exemption as prosthetic aids. Repair parts for items that meet the definition of “prosthetic aids” are also exempt.

Items ordinarily worn for cosmetic purposes, such as wigs, false eyelashes, and makeup, are taxable whether or not the need for them results from a medical condition. Orthopedic or therapeutic devices and appliances that do not replace a functioning part of the human body or do not correct physical malformity or malfunction are not prosthetic aids. Articles of this type are taxable unless they constitute “artificial devices designed for the use of a particular individual to correct or alleviate physical incapacity”. Sales of standardized or stock devices such as trusses, supports, neck or back braces, orthopedic shoes, athletic supports, support hosiery, arch supporters, elastic bandages and similar items are taxable unless they are designed or constructed for the use of a particular individual to correct or alleviate physical incapacity. Sales of hearing aids, batteries and repair parts for hearing aids, prescription eyeglasses, contact lenses and repair or replacement parts and lenses for prescription eyeglasses are exempt from tax. Nonprescription sunglasses, opera glasses, magnifying glasses, platform magnifiers and similar items are taxable. Cleaning solutions and supplies for contact lenses and eyeglasses are taxable.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY'16 \$7,011,000

FY'17 \$7,286,500

Method used to calculate the revenue loss

Information from sales tax returns and Federal statistics.

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'16 \$8,741,330

FY'17 \$9,071,170

Method used to calculate the revenue loss

Estimate of the cost of meals served in schools.

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'16 \$8,502,500

FY'17 \$8,987,000

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'16 \$356,212

FY'17 \$366,899

Method used to calculate the revenue loss

This estimate is based on the number of meals served in fiscal year 2002 and the average cost of each meal served in fiscal years 2002 and 2003.

Number of exempt organizations on file

56

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'16 \$0 - 49,999

FY'17 \$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'16 \$0 - \$49,999

FY'17 \$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'16 \$250,000 - \$999,999

FY'17 \$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'16 \$605,721

FY'17 \$623,893

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, defoliant 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'16 \$3,249,000

FY'17 \$3,372,500

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'16 \$5,445,054

FY'17 \$5,608,406

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 is presumed to be purchased for residential use. Until September 30, 2013, a purchase of 1,000 pounds or less of wood pellets or of any 100% compressed wood product intended for use in a wood stove or fireplace is presumed to be purchased for residential use. Beginning October 1, 2013, a purchase of any amount of wood pellets is presumed to be purchased for residential use. A purchase of less than one cord of wood is presumed to be purchased for residential use.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY'16 \$69,654,000

FY'17 \$73,207,000

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'16 \$0 – 49,999

FY'17 \$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’16 \$24,173,700

FY’17 \$25,784,045

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'16 \$14,478,000

FY'17 \$15,318,750

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’16 \$27,836,160

FY’17 \$28,392,883

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'16 \$0 - \$49,999

FY'17 \$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 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'16 \$1,415,834

FY'17 \$1,458,310

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.022 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'16 \$12,264,500

FY'17 \$12,720,500

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.023 Publications sold on short intervals.

36 M.R.S.A. § 1760.14.

Repealed October 1, 2013

Sales of any publication regularly issued at average intervals not exceeding 3 months are exempt from the sales and use tax. Generally, this exemption applies to newspapers and magazines issued on at least a quarterly basis.

Reason(s) for exemption

Subsidize the purchase of newspapers and magazines.

Estimated General Fund revenue loss

FY'16 \$0

FY'17 \$0

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'16 \$1,689,753

FY'17 \$1,747,204

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.
- 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'16 \$6,000,000 or more

FY'17 \$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	55
Nursing homes	27
Home health care	25
Rural community health	75
Dental health centers	9
Residential care facilities	96
Medical research orgs.	27
Biology/ecology labs	18
Educational TV/radio	12
Schools	667
Literacy assistance orgs.	25
Assist children w/dyslexia	4
Churches	2,180
Free medical clinics	2

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' 16 \$250,000 – 999,999

FY' 17 \$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 caring institutions, which are licensed by the Department of Health and Human Services as child caring institutions, 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'16 \$50,000 – 249,999

FY'17 \$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

52

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'16 \$6,412,500

FY'17 \$6,650,000

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.

Reason(s) for exemption

Living quarters are a necessity of life.

Estimated General Fund revenue loss

FY'16 \$806,284

FY'17 \$830,473

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'16 \$0 - 49,999

FY'17 \$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'16 \$246,795

FY'17 \$251,730

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'16 \$0 - 49,999

FY'17 \$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, except automobiles rented for a period of less than one year;
- B. Semitrailers;
- C. Aircraft, if not exempted under subsection 88-A; and
- D. Camper trailers, including truck campers.

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'16 \$250,000 – 999,999

FY'17 \$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'16 \$915,197

FY'17 \$933,500

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'16 \$4,816,500

FY'17 \$4,997,000

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 is 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'16 \$250,000 - 999,999

FY'17 \$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 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'16 \$250,000 - 999,999

FY'17 \$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	76
Nonprofit ambulance services	35

2.038 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'16 \$50,000 - 249,999

FY'17 \$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	203
Mental retardation facilities	216
Substance abuse facilities	11

2.039 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'16 \$250,000 – 999,999

FY'17 \$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.

2.040 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'16 \$250,000 – 999,999

FY'17 \$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 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'16 \$49,077,000

FY'17 \$51,604,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.042 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'16 \$50,000 - 249,999

FY'17 \$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.

2.043 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'16 \$1,175,531

FY'17 \$1,210,797

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.044 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’16 \$303,961

FY’17 \$310,040

Method used to calculate the revenue loss

The estimate is based on sales tax statistics.

2.045 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'16 \$0 - 49,999

FY'17 \$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.

2.046 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'16 \$0 - 49,999

FY'17 \$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 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'16 \$20,966,500

FY'17 \$21,755,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.048 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'16 \$26,436,477

FY'17 \$26,833,025

Method used to calculate the revenue loss

Estimated based on information from sales tax returns.

2.049 Certain instrumentalities of interstate or foreign commerce.

36 M.R.S.A. § 1760.41.

The sale of a vehicle, railroad rolling stock, aircraft (From July 1, 2011 to June 30, 2033 all sales of aircraft are exempt) 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 non-transportation 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’16 \$1,000,000 – 2,999,999

FY’17 \$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.

2.050 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'16 \$50,000 – 249,999

FY'17 \$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

416

2.051 Nursery schools and day-care centers.

36 M.R.S.A. § 1760.43 and 2557.9.

Sales to licensed incorporated nonprofit nursery schools and day-care centers 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'16 \$50,000 - 249,999

FY'17 \$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

190

2.052 Certain church affiliated residential homes.

36 M.R.S.A. § 1760.44 and 2557.10.

Sales to any church affiliated nonprofit organization, which operates, under a charter granted by the Legislature, 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'16 \$0 - 49,999

FY'17 \$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

2.053 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'16 \$1,000,000 -2,999,999
FY'17 \$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.

2.054 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'16 \$0 - 49,999

FY'17 \$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

2.055 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'16 \$50,000 - 249,999

FY'17 \$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

121

2.056 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'16 \$250,000 - 999,999

FY'17 \$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

2.057 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'16 \$50,000 - 249,999

FY'17 \$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

268

2.058 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'16 \$0 - 49,999

FY'17 \$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

2.059 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'16 \$375,584

FY'17 \$383,096

Method used to calculate the revenue loss

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

2.060 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'16 \$0 - 49,999

FY'17 \$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

2.061 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'16 \$0 - 49,999

FY'17 \$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

29

2.062 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'16 \$250,000 – 999,999

FY'17 \$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 302

National scouting organizations 20

2.063 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 alcoholic's anonymous groups through an exemption from the sales tax.

Estimated General Fund revenue loss

FY'16 \$0 - 49,999

FY'17 \$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.

2.064 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'16 \$0 - 49,999

FY'17 \$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 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'16 \$0 - 49,999

FY'17 \$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

2.066 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'16 \$0 - 49,999

FY'17 \$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

81

2.067 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'16 \$1,000,000 - 2,999,999

FY'17 \$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.

2.068 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'16 \$0 - 49,999

FY'17 \$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

2.069 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'16 \$0 - 49,999

FY'17 \$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

2.070 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'16 \$250,000 – 999,999

FY'17 \$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.

2.071 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’16 \$0 - 49,999

FY’17 \$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

58

2.072 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'16 \$0 - 49,999

FY'17 \$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

19

2.073 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'16 \$50,000 - 249,999

FY'17 \$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

2.074 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'16 \$0 - 49,999

FY'17 \$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

2.075 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'16 \$0 - 49,999

FY'17 \$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

2.076 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'16 \$0 - 49,999

FY'17 \$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

2.077 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'16 \$50,000 - 249,999

FY'17 \$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

154

2.078 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'16 \$50,000 – 249,999

FY'17 \$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.

2.079 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’16 \$171,703,000

FY’17 \$178,115,500

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.080 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'16 \$150,100

FY'17 \$151,050

Method used to calculate the revenue loss

Sales tax micro-simulation model and sales tax statistics.

2.081 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'16 \$0 - 49,999

FY'17 \$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.

2.082 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'16 \$0 - 49,999

FY'17 \$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

2.083 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'16 \$0 – 49,999

FY'17 \$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.

2.084 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'16 \$0 – 49,999

FY'17 \$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 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’16 \$0 – 49,999

FY’17 \$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 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'16 \$6,000,000 or more

FY'17 \$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.

2.087 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'16 \$250,000 – 999,999

FY'17 \$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.

2.088 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'16 \$0 – 49,999

FY'17 \$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

2.089 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'16 \$50,000 – 249,999

FY'17 \$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.

2.090 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'16 \$250,000 – 999,999

FY'17 \$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.

2.091 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'16 \$250,000 – 999,999

FY'17 \$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 exemptions on file

245

2.092 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'16 \$403,142

FY'17 \$415,236

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.093 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'16 \$629,910

FY'17 \$648,806

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.094 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'16 \$83,674

FY'17 \$86,184

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.

2.095 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'16 \$250,000 – 999,999

FY'17 \$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.

2.096 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'16 \$0 – 49,999

FY'17 \$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.

2.097 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'16 \$31,154

FY'17 \$32,557

Method used to calculate the revenue loss

The estimated revenue loss was based on audit information.

2.098 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'16 \$274,905

FY'17 \$284,802

Method used to calculate the revenue loss

The estimated revenue loss was based on audit information.

2.099 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'16 \$61,889

FY'17 \$64,550

Method used to calculate the revenue loss

The estimated revenue loss was based on audit information.

2.100 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'16 \$26,375,956

FY'17 \$27,299,115

Method used to calculate the revenue loss

Information from tax returns.

2.101 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'16 \$50,000 - 249,999

FY'17 \$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.

2.102 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'16 \$50,000 – 249,999

FY'17 \$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.

2.103 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'16 \$0 - 49,999

FY'17 \$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.

2.104 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 used in commercial fishing vessels.

Reason(s) for exemption

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

Estimated General Fund revenue loss

FY'16 \$2,755,000

FY'17 \$2,888,000

Method used to calculate the revenue loss

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

Number of exemptions on file

Farmers – 1,087

Commercial Fishing – 2,040

Wood Harvesting - 350

2.105 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'16 \$0 - 49,999

FY'17 \$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.

2.106 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'16 \$82,650

FY'17 \$85,500

Method used to calculate the revenue loss

Sales tax micro-simulation model.

Number of exemptions on file

10

2.107 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'16 \$55,848,600

FY'17 \$57,960,830

Estimated General Fund revenue loss on business purchases

FY'16 \$10,924,525

FY'17 \$11,452,725

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.108 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'16 \$505,059,045

FY'17 \$524,116,330

Estimated General Fund revenue loss on business purchases

FY'16 \$10,972,405

FY'17 \$11,570,525

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.109 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'16 \$68,732,690

FY'17 \$71,326,000

Estimated General Fund revenue loss on business purchases

FY'16 \$5,561,490

FY'17 \$5,804,880

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.110 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'16 \$65,444,360

FY'17 \$67,913,790

Estimated General Fund revenue loss on business purchases

FY'16 \$6,416,965

FY'17 \$6,707,095

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.111 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'16 \$211,836,795

FY'17 \$219,829,810

Estimated General Fund revenue loss on business purchases

FY'16 \$387,178,105

FY'17 \$403,740,975

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.112 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'16 \$68,732,310

FY'17 \$71,327,235

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.113 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'16 \$20,877,295

FY'17 \$21,741,320

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.114 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'16 \$2,608,605

FY'17 \$2,707,025

Estimated General Fund revenue loss on business purchases

FY'16 \$27,992,890

FY'17 \$29,354,430

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.115 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, Intra-city 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'16 \$24,690,785

FY'17 \$25,699,970

Estimated General Fund revenue loss on business purchases

FY'16 \$66,434,165

FY'17 \$69,494,685

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.116 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'16 \$506,938,810

FY'17 \$530,339,780

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.117 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'16 \$203,423,500

FY'17 \$212,619,500

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.118 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’16 \$1,000,000 - 2,999,999

FY’17 \$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.

2.119 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'16 \$0 - 49,999

FY'17 \$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

2.120 Basic cable and satellite television service.

36 M.R.S.A. § 2551.2.

The minimum cable and satellite television service that can be purchased from a cable or satellite television supplier is exempt from tax. All extended service is taxable.

Reason(s) for exemption

Provide tax free access to a basic selection of cable and satellite television channels. The intent is to reduce the tax burden on the elderly and low-income public.

Estimated General Fund revenue loss

FY'16 \$2,185,000

FY'17 \$2,280,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

2.121 Telecommunications services.

36 M.R.S.A. § 2557.33 & 34.

Sales of international and interstate telecommunications service are exempt from tax.

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'16 \$3,020,525

FY'17 \$3,149,250

Estimated General Fund revenue loss on business purchases

FY'16 \$10,788,528

FY'17 \$11,316,148

Method used to calculate the revenue loss

Sales tax micro-simulation model.

Highway Fund Sales and Use Tax Expenditures

2.122 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'16 \$129,164,121

FY'17 \$128,817,694

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

2.123 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'16 \$2,181,538

FY'17 \$2,235,102

Method used to calculate the revenue loss

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

2.124 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 non-railroad 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'16 \$325,000

FY'17 \$325,000

Method used to calculate the revenue loss

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

2.125 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'16 \$2,787,741

FY'17 \$2,815,618

Method used to calculate the revenue loss

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

2.126 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'16 \$4,500,000

FY'17 \$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

2.127 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'16 \$145,395

FY'17 \$146,849

Method used to calculate the revenue loss

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

2.128 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'16 \$31,023

FY'17 \$31,333

Method used to calculate the revenue loss

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

Cigarette Tax Exemption

2.129 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'16 \$1,393,854

FY'17 \$1,368,761

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'14	FY'15	FY'16	FY'17
Reimbursement for Business Equipment Tax Exemption to Chapter 105, Subchapter 4-c Municipalities		\$24,240,027	\$27,103,362	\$31,771,938	\$36,948,340
Reimbursement for Taxes Paid on Certain Business Property (BETR)	Chapter 915	\$40,374,677	\$32,080,000	\$35,000,000	\$32,000,000
Deduction for Affordable Housing	5122(2)(Z)	B	B	B	B
Deduction for Social Security Benefits Taxable at Federal Level	5122(2)(C)	\$69,711,000	\$71,212,000	\$74,404,000	\$76,864,000
Deduction for Contributions to Capital Construction Funds	5122(2)(I)	A	A	A	A
Deduction for Premiums Paid for Long-Term Health Care Insurance	5122(2)(L)&(T)	\$1,919,000	\$1,947,000	\$1,966,000	\$1,985,000
Deduction for Pension Income	5122(2)(M)	\$13,300,000	\$25,184,000	\$26,125,000	\$26,647,000
Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax	5122(2)(N)	\$42,000	\$42,000	\$42,000	\$42,000
Deduction for Holocaust Victim Settlement Payments	5122(2)(O)	A	A	A	A
Deduction For Contributions To IRC 529 Qualified Tuition Plans	5122(2)(Y)	\$237,000	\$253,000	\$270,000	\$289,000
Deduction for Dentists with Military Pensions	5122(2)(BB)	A	A	A	A
Deduction for active duty military pay earned outside of Maine	5122(2)(LL)	\$741,000	\$1,873,000	\$1,928,000	\$1,985,000
Itemized Deductions	5125	\$60,515,000	\$56,933,000	\$60,496,000	\$68,941,000
Additional standard deduction for the elderly and disabled	5124-A	\$5,329,000	\$5,500,000	\$5,681,000	\$5,871,000
Deduction for Exempt Associations, Trusts and Organizations	5162(2)	A	A	A	A
Credit for Income Tax Paid to Other State by an Estate or Trust	5165	A	A	A	A
Deduction for Interest and Dividends on U.S., Maine State and Local Securities	5200-A(2)(A)&(G)	\$190,000	\$190,000	\$190,000	\$190,000
Credit to Beneficiary for Accumulation Distribution	5214-A	A	A	A	A
Jobs and Investment Tax Credit	5215	C	C	C	C
Seed Capital Investment Tax Credit	5216-B	\$1,159,000	\$1,168,000	\$1,824,000	\$2,679,000
Credit for Contributions to Family Development Account Reserve Funds	5216-C	A	A	A	A
Credit for Employer-Assisted Day Care	5217	A	A	A	A
Credit for Income Tax Paid to Other Jurisdiction	5217-A	\$43,035,000	\$44,756,000	\$46,540,000	\$48,393,000
Credit for Employer-Provided Long-Term Care Benefits	5217-C	A	A	A	A
Credit for Educational Opportunity	5217-D	\$3,040,000	\$5,101,000	\$7,049,000	\$9,376,000
Income Tax Credit for Child Care Expense	5218	\$3,674,000	\$3,676,000	\$3,676,000	\$3,676,000
Retirement and Disability Credit	5219-A	\$1,000	\$1,000	\$1,000	\$1,000
Forest Management Planning Income Credits	5219-C	\$58,000	\$59,000	\$61,000	\$63,000
Research Expense Tax Credit	5219-K	\$430,000	\$451,000	\$475,000	\$498,000
Super Credit for Substantially Increased Research & Development	5219-L	\$2,035,000	\$1,896,000	\$1,132,000	\$1,057,000
High-Technology Investment Tax Credit	5219-M	\$912,000	\$912,000	\$912,000	\$912,000
Credit for Dependent Health Benefits Paid	5219-O	A	A	A	A
Quality Child Care Investment Credit	5219-Q	A	A	A	A
Credit for Rehabilitation of Historic Properties	5219-R & 5219-BB	\$7,681,000	\$10,925,000	\$13,062,000	\$13,172,000
Earned Income Credit	5219-S	\$1,060,000	\$950,000	\$902,000	\$855,000
Pine Tree Development Zone Tax Credit	5219-W	\$1,920,000	\$2,014,000	\$2,109,000	\$2,223,000
Biofuel Commercial Production and Commercial Use Tax Benefits for Media Production Companies	5219-X	A	A	A	A
Dental Care Access Credit	5219-Y, c. 919-A	\$228,000	\$237,000	\$247,000	\$256,000
New Markets Capital Investment Credit	5219-BB	\$118,000	\$129,000	\$125,000	\$106,000
Credit for Wellness Programs	5219-HH	\$0	\$2,715,000	\$9,205,000	\$13,509,000
Maine fishery infrastructure investment tax credit	5219-FF	\$75,000	\$302,000	\$310,000	\$319,000
Innovation Finance Credit	5216-D	A	A	A	A
Primary Care Access Credit	5219-EE	\$0	\$0	*	*
Property Tax Fairness Credit	5219-LL	\$22,000	\$64,000	\$118,000	\$186,000
Employment Tax Increment Financing, including certain Job Increment Financing Programs	5219-KK	\$18,988,000	\$32,079,000	\$30,523,000	\$29,108,000
Shipbuilding Facility Credit	Chapter 917	\$11,819,000	\$13,148,000	\$14,011,000	\$14,671,000
	Chapter 919	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000

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

B represents an estimated spread of \$0 - \$200,000

C represents an estimated spread of \$0 - \$500,000

*represents a potential liability

Appendix A Continued

General Fund Income Tax Expenditures	36 MRSA §	FY'14	FY'15	FY'16	FY'17
CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS					
Health Savings Accounts	5102(1-D)	\$1,358,000	\$1,406,000	\$1,444,000	\$1,491,000
Deduction for Interest of Student Loans	5102(1-D)	\$3,866,000	\$3,980,000	\$4,094,000	\$4,208,000
Moving Expenses Deduction	5102(1-D)	\$570,000	\$571,000	\$589,000	\$606,000
Pension Contributions -- Individual Retirement Plans	5102(1-D)	\$5,548,000	\$5,548,000	\$5,548,000	\$5,548,000
Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans	5102(1-D)	\$5,773,000	\$5,937,000	\$6,108,000	\$6,289,000
Self-Employed Medical Insurance Premiums	5102(1-D)	\$8,246,000	\$8,531,000	\$9,063,000	\$9,614,000
CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER					
Pension Contributions & Earnings -- Employer-Provided Pension Contributions and Earnings	5102(1-D)	\$80,721,000	\$117,952,000	\$149,831,000	\$182,279,000
Employer-Paid Medical Insurance and Expenses	5102(1-D)	\$162,811,000	\$171,463,000	\$177,384,000	\$186,264,000
Exclusion of Benefits Provided under Cafeteria Plans	5102(1-D)	\$39,278,000	\$41,783,000	\$43,719,000	\$46,110,000
Exclusion of Capital Gains at Death	5102(1-D)	\$23,776,000	\$25,060,000	\$26,343,000	\$27,702,000
Exclusion of Investment Income on Life Insurance and Annuity Contracts	5102(1-D)	\$31,195,000	\$31,992,000	\$32,903,000	\$33,586,000
Exclusion of Capital Gains on Sales of Principal Residences	5102(1-D)	\$27,437,000	\$31,195,000	\$35,066,000	\$37,002,000
Exclusion of Medicare Benefits -- Hospital Insurance -- Supplementary Medical Insurance -- Prescription Drug Insurance	5102(1-D)	\$59,358,000	\$62,570,000	\$69,479,000	\$72,788,000
Social Security and Railroad Retirement Benefits Untaxed at the Federal Level	5102(1-D)	\$49,613,000	\$52,134,000	\$55,053,000	\$58,501,000
Other conformity items	5102(1-D)		\$150 to 250 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'14	FY'15	FY'16	FY'17
Sales to the State & Political Subdivisions	1760.2	\$172,596,735	\$180,984,614	\$167,822,096	\$171,178,538
Grocery Staples	1760.3	\$164,500,195	\$175,204,700	\$164,901,000	\$171,152,000
Ships Stores	1760.4	C	C	C	C
Prescription Drugs	1760.5	\$66,715,538	\$71,039,100	\$66,851,500	\$69,369,000
Prosthetic Devices	1760.5A	\$6,963,025	\$7,429,950	\$7,011,000	\$7,286,500
Meals Served by Public or Private Schools	1760.6A	\$8,723,705	\$9,289,319	\$8,741,330	\$9,071,170
Meals Served to Patients in Hospitals & Nursing Homes	1760.6B	\$8,314,970	\$8,903,400	\$8,502,500	\$8,987,000
Providing Meals for the Elderly	1760.6C	\$363,300	\$384,690	\$356,212	\$366,899
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	\$610,917	\$646,886	\$605,721	\$623,893
Products Used in Agricultural and Aquacultural Production & Bait	1760.7A-C	\$3,242,635	\$3,438,050	\$3,249,000	\$3,372,500
Certain Jet Fuel	1760.8B	\$5,491,759	\$5,815,106	\$5,445,054	\$5,608,406
Coal, Oil & Wood for Cooking & Heating Homes	1760.9	\$70,308,357	\$73,933,750	\$69,654,000	\$73,207,000
Fuel Oil for Burning Blueberry Land	1760.9A	A	A	A	A
First 750 KW Hours of Residential Electricity Per Month	1760.9B	\$23,122,834	\$25,129,533	\$24,173,700	\$25,784,045
Gas When Used for Cooking & Heating in Residences	1760.9C	\$13,232,289	\$14,441,900	\$14,478,000	\$15,318,750
Fuel and Electricity Used in Manufacturing	1760.9D	\$28,206,151	\$29,430,773	\$27,836,160	\$28,392,883
Fuel Oil or Coal which become an Ingredient or Component Part	1760.9G	A	A	A	A
Certain Returnable Containers	1760.12	\$1,427,979	\$1,512,056	\$1,415,834	\$1,458,310
Packaging Materials	1760.12A	\$11,943,875	\$12,843,050	\$12,264,500	\$12,720,500
Publications Sold on Short Intervals	1760.14	\$1,610,250	\$0	\$0	\$0
Free Publications and Components of Publications	1760.14-A	\$1,234,335	\$1,797,609	\$1,689,753	\$1,747,204
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 Nonprofit Residential Child Care Institutions	1760.18A	B	B	B	B
Rental of Living Quarters at Schools	1760.19	\$6,573,050	\$7,078,858	\$6,412,500	\$6,650,000
Rental Charges on Continuous Residence for More Than 28 Days	1760.20	\$836,000	\$894,628	\$806,284	\$830,473
Automobiles Used in Driver Education Programs	1760.21	A	A	A	A
Certain Loaner Vehicles	1760.21A	\$253,816	\$266,151	\$246,795	\$251,730
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	\$941,234	\$986,977	\$915,197	\$933,500
Funeral Services	1760.24	\$4,808,045	\$5,120,500	\$4,816,500	\$4,997,000
Watercraft Purchased by Nonresidents	1760.25	C	C	C	C
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	\$47,328,240	\$51,288,600	\$49,077,000	\$51,604,000
New Machinery for Experimental Research	1760.32	B	B	B	B
Diabetic Supplies	1760.33	\$1,185,614	\$1,255,421	\$1,175,531	\$1,210,797
Sales Through Coin Operated Vending Machines	1760.34	\$312,609	\$327,801	\$303,961	\$310,040
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	\$20,919,570	\$22,279,400	\$20,966,500	\$21,755,000
Mobile & Modular Homes	1760.40	\$27,593,065	\$28,650,370	\$26,436,477	\$26,833,025
Certain instrumentalities of interstate or foreign commerce	1760.41	D	D	D	D
Sales to Historical Societies & Museums	1760.42	B	B	B	B
Sales to Day Care Centers & Nursery Schools	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

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'14	FY'15	FY'16	FY'17
Sales to any Nonprofit Free Libraries	1760.50	B	B	B	B
Sales to Veterans Memorial Cemetery Associations	1760.51	A	A	A	A
Railroad Track Materials	1760.52	\$386,270	\$405,042	\$375,584	\$383,096
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	\$167,143,095	\$179,740,000	\$171,703,000	\$178,115,500
Meals & Lodging Provided to Employees	1760.75	\$160,930	\$168,286	\$150,100	\$151,050
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	C	C	C	C
Sales of Certain Aircraft	1760.88	\$406,600	\$430,540	\$403,142	\$415,236
Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts	1760.88-A	\$635,313	\$672,719	\$629,910	\$648,806
Sales of Certain Qualified Snowmobile Trail Grooming Equipment	1760.90	\$84,392	\$89,361	\$83,674	\$86,184
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	\$30,526	\$32,794	\$31,154	\$32,557
Positive Airway Pressure Equipment and Supplies	1760.94	\$274,062	\$291,888	\$274,905	\$284,802
Sales of Certain Adaptive Equipment	1760.95	\$0	\$65,271	\$61,889	\$64,550
Trade-In Credits	1765	\$26,345,793	\$28,032,417	\$26,375,956	\$27,299,115
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	\$2,734,385	\$2,894,650	\$2,755,000	\$2,888,000
Fish Passage Facilities	2014	A	A	A	A
Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers	2020	\$81,320	\$87,780	\$82,650	\$85,500
Consumer Purchases of Amusement and Recreational Services	1752.11	\$52,875,750	\$59,344,714	\$55,848,600	\$57,960,830
Business Purchases of Amusement and Recreational Services	1752.11	\$10,709,132	\$11,486,013	\$10,924,525	\$11,452,725
Consumer Purchases of Medical Services	1752.11	\$503,022,445	\$536,720,151	\$505,059,045	\$524,116,330
Business Purchases of Medical Services	1752.11	\$10,749,183	\$11,506,286	\$10,972,405	\$11,570,525
Consumer Purchases of Education Services	1752.11	\$68,593,725	\$73,041,320	\$68,732,690	\$71,326,000
Business Purchases of Educational Services	1752.11	\$5,523,559	\$5,872,482	\$5,561,490	\$5,804,880
Consumer Purchases of Social Services	1752.11	\$65,312,158	\$69,546,840	\$65,444,360	\$67,913,790
Business Purchases of Social Services	1752.11	\$6,312,651	\$6,758,015	\$6,416,965	\$6,707,095
Consumer Purchases of Financial Services	1752.11	\$211,408,621	\$225,116,095	\$211,836,795	\$219,829,810
Business Purchases of Financial Services	1752.11	\$383,131,353	\$408,922,294	\$387,178,105	\$403,740,975
Consumer Purchases of Personal, Household and Business Services	1752.11	\$68,590,472	\$73,039,439	\$68,732,310	\$71,327,235

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'14	FY'15	FY'16	FY'17
Consumer Purchases of Information Services Except Telecommunications	1752.11	\$2,603,358	\$2,772,176	\$2,608,605	\$2,707,025
Business Purchases of Information Services Except Telecommunications	1752.11	\$27,520,213	\$29,462,835	\$27,992,890	\$29,354,430
Consumer Purchases of Transportation Services	1752.11	\$24,489,925	\$26,164,815	\$24,690,785	\$25,699,970
Business Purchases of Transportation Services	1752.11	\$65,258,487	\$69,926,698	\$66,434,165	\$69,494,685
Business Purchases of Legal, Business, Administrative and Support Services	1752.11	\$496,804,515	\$532,753,436	\$506,938,810	\$530,339,780
Business Purchases of Construction Services	1752.11	\$206,136,700	\$214,465,350	\$203,423,500	\$212,619,500
Business Purchases of Repair, Maintenance and Personal Services	1752.11	\$20,682,116	\$22,087,747	\$20,877,295	\$21,741,320
Casual Sales	1752.11	D	D	D	D
Sales by Executors	1752.11	A	A	A	A
General Fund Service Provider Tax Expenditures					
Basic Cable & Satellite Television Service	2551.2	\$2,023,500	\$2,099,500	\$2,185,000	\$2,280,000
Certain Telecommunications Services	2557.33,34	\$12,793,446	\$13,272,735	\$13,809,053	\$14,465,398
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
Highway Fund Sales & Use Tax Expenditures					
Motor Vehicle Fuel	1760.8A	\$143,231,504	\$142,461,604	\$129,164,121	\$128,817,694
Highway Fund Gasoline & Special Fuel Tax Expenditures					
State and Local Government Exemption from the Gasoline Tax	2903	\$2,079,225	\$2,129,597	\$2,181,538	\$2,235,102
Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Cos.	2908	\$265,192	\$325,000	\$325,000	\$325,000
State & Local Government Exemption from the Special Fuel Tax	3204-A	\$2,732,812	\$2,760,140	\$2,787,741	\$2,815,618
Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Cos.	3218	\$4,513,071	\$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	\$142,530	\$143,955	\$145,395	\$146,849
Refund of Excise Tax on Fuel Used in Piston Aircraft	2910	\$30,411	\$30,716	\$31,023	\$31,333

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'14	FY'15	FY'16	FY'17
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	\$1,434,656	\$1,419,407	\$1,393,854	\$1,368,761
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'14	FY'15	FY'16	FY'17
1) Consumer Purchases of Services Tax Expenditures				
Medical Services	\$503,022,445	\$536,720,151	\$505,059,045	\$524,116,330
- Physician services	\$79,765,873	\$84,937,809	\$79,927,300	\$82,943,170
- Dental services	\$27,243,928	\$29,010,350	\$27,299,010	\$28,329,095
- Home health care	\$24,612,413	\$26,208,287	\$24,662,285	\$25,592,810
- Medical laboratories	\$8,650,110	\$9,210,944	\$8,667,610	\$8,994,695
- Specialty outpatient care facilities and health and allied services	\$45,547,434	\$48,500,645	\$45,639,615	\$47,361,680
- All other professional medical services	\$26,068,854	\$27,759,171	\$26,121,675	\$27,107,300
- Nonprofit hospitals' services to households	\$157,594,907	\$167,813,206	\$157,913,940	\$163,872,435
- Proprietary hospitals	\$33,673,697	\$35,857,085	\$33,741,815	\$35,015,005
- Government hospitals	\$45,392,011	\$49,417,528	\$46,502,405	\$48,257,150
- Nonprofit nursing homes' services to households	\$18,796,508	\$20,015,199	\$18,834,510	\$19,545,205
- Proprietary and government nursing homes	\$35,676,710	\$37,989,930	\$35,748,880	\$37,097,785
Transportation services	\$24,489,925	\$26,164,815	\$24,690,785	\$25,699,970
- Motor vehicle maintenance and repair services	\$15,651,051	\$16,753,022	\$15,834,030	\$16,508,910
- Parking fees and tolls	\$1,114,389	\$1,186,598	\$1,116,630	\$1,158,810
- Railway transportation	\$155,118	\$165,215	\$155,420	\$161,310
- Intercity buses	\$179,107	\$190,713	\$179,455	\$186,295
- Taxicabs	\$931,826	\$992,228	\$933,755	\$969,000
- Intracity mass transit	\$2,473,246	\$2,633,609	\$2,478,265	\$2,571,745
- Other road transportation services	\$2,139,834	\$2,278,518	\$2,144,150	\$2,225,090
- Air transportation	\$1,422,897	\$1,515,146	\$1,425,760	\$1,479,530
- Water transportation	\$422,457	\$449,768	\$423,320	\$439,280
Amusement and recreation services	\$52,875,750	\$59,344,714	\$55,848,600	\$57,960,830
- Membership clubs and participant sports centers	\$6,548,090	\$6,972,658	\$6,561,365	\$6,808,935
- Amusement parks, camp grounds and related recreational services	\$8,546,325	\$9,100,487	\$8,563,680	\$8,886,775
- Motion picture services	\$983,769	\$1,047,613	\$985,815	\$1,022,960
- Live entertainment excluding sports	\$1,541,522	\$1,641,486	\$1,544,605	\$1,602,935
- Spectator sports	\$1,023,209	\$1,089,517	\$1,025,240	\$1,063,905
- Museums and libraries	\$1,326,634	\$1,412,631	\$1,329,240	\$1,379,400
- Photo studios	\$529,495	\$563,882	\$530,575	\$550,620
- Repair of audio-visual, photographic and information processing equipment	\$780,774	\$835,687	\$789,925	\$823,555
- Casino gambling	\$18,922,148	\$20,149,063	\$18,960,480	\$19,675,925
- Lotteries	\$3,148,468	\$6,387,354	\$6,010,555	\$6,237,320
- pari-mutuel net receipts	\$1,524,547	\$1,623,408	\$1,527,695	\$1,585,265
- Veterinary and other services for pets	\$7,757,013	\$8,259,994	\$7,772,805	\$8,066,070
- Maintenance and repair of recreation vehicles and sports equipment	\$243,757	\$260,937	\$246,620	\$257,165
Financial Services	\$211,408,621	\$225,116,095	\$211,836,795	\$219,829,810
- Commercial banks	\$22,771,633	\$24,248,076	\$22,817,765	\$23,678,750
- Other depository institutions and regulated investment companies	\$34,062,305	\$36,270,801	\$34,131,220	\$35,419,135
- Pension funds	\$9,716,927	\$10,346,963	\$9,736,645	\$10,104,010
- Financial service charges and fees	\$23,541,937	\$25,068,296	\$23,589,545	\$24,479,600
- Exchange listed equities	\$1,153,219	\$1,227,980	\$1,155,580	\$1,199,185
- Other direct commissions	\$3,133,971	\$3,337,208	\$3,140,320	\$3,258,785
- Over-the-counter equity securities	\$204,825	\$218,196	\$205,295	\$212,990
- Other imputed commissions	\$2,177,750	\$2,318,960	\$2,182,150	\$2,264,420
- Mutual fund sales charges	\$2,097,548	\$2,233,583	\$2,101,875	\$2,181,105
- Portfolio management and investment advice services	\$23,147,840	\$24,648,729	\$23,194,725	\$24,069,865
- Trust fiduciary and custody activities	\$2,042,555	\$2,174,959	\$2,046,680	\$2,123,915
- Life insurance	\$18,928,247	\$20,155,542	\$18,966,560	\$19,682,290
- Net household insurance	\$1,980,447	\$2,108,810	\$1,984,360	\$2,059,315
- Medical care and hospitalization insurance	\$45,199,689	\$48,130,401	\$45,291,250	\$47,000,205
- Income loss insurance	\$758,004	\$807,158	\$759,620	\$788,215
- Workers' compensation insurance	\$5,603,558	\$5,966,950	\$5,614,975	\$5,826,825
- Net motor vehicle and other transportation insurance	\$14,888,167	\$15,853,486	\$14,918,230	\$15,481,200
Information Services	\$2,603,358	\$2,772,176	\$2,608,605	\$2,707,025
- Delivery services except U.S. Postal Service	\$426,828	\$454,575	\$427,690	\$443,840
- Internet access	\$2,176,530	\$2,317,601	\$2,180,915	\$2,263,185
Education Services	\$68,593,725	\$73,041,320	\$68,732,690	\$71,326,000
- Proprietary and public higher education	\$27,309,899	\$29,080,574	\$27,365,130	\$28,397,685
- Nonprofit private higher education services to households	\$17,413,357	\$18,542,480	\$17,448,650	\$18,107,000
- Elementary and secondary schools	\$9,204,103	\$9,800,951	\$9,222,790	\$9,570,775

Appendix C continued

	FY'14	FY'15	FY'16	FY'17
Day care and nursery schools	\$3,067,187	\$3,266,043	\$3,073,440	\$3,189,340
- Commercial and vocational schools	\$11,599,180	\$12,351,273	\$11,622,680	\$12,061,200
Personal, household and business services	\$68,590,472	\$73,039,439	\$68,732,310	\$71,327,235
- Legal services	\$15,062,294	\$16,038,869	\$15,092,745	\$15,662,270
- Tax preparation and other related services	\$4,915,997	\$5,234,719	\$4,925,940	\$5,111,760
- Employment agency services	\$56,517	\$60,192	\$56,715	\$58,805
- other personal business services	\$1,091,823	\$1,162,667	\$1,094,115	\$1,135,345
- Labor organization dues	\$2,942,768	\$3,133,642	\$2,948,800	\$3,060,045
- Professional association dues	\$1,066,817	\$1,135,915	\$1,068,940	\$1,109,315
- Funeral and burial services	\$4,806,215	\$5,117,783	\$4,815,930	\$4,997,665
- Hairdressing salons and personal grooming establishments	\$9,866,962	\$10,506,639	\$9,886,935	\$10,259,905
- Miscellaneous personal care services	\$9,307,989	\$9,911,512	\$9,326,815	\$9,678,790
- Laundry and dry-cleaning services	\$1,630,873	\$1,736,581	\$1,634,095	\$1,695,845
- Clothing repair, rental and alterations	\$1,238,809	\$1,319,104	\$1,241,270	\$1,288,105
- Repair and hire of footwear	\$48,690	\$52,146	\$49,210	\$51,395
- Domestic services	\$6,488,624	\$6,909,331	\$6,501,705	\$6,746,900
- Moving, storage and freight services	\$3,685,829	\$3,924,811	\$3,693,315	\$3,832,680
- Repair of furniture, furnishings and floor coverings	\$61,498	\$65,835	\$62,225	\$64,885
- Repair of household appliances	\$204,926	\$219,346	\$207,290	\$216,125
- Other household services	\$2,230,811	\$2,375,494	\$2,235,350	\$2,319,710
- Garbage and trash collection	\$3,883,030	\$4,134,856	\$3,890,915	\$4,037,690
Social services	\$65,312,158	\$69,546,840	\$65,444,360	\$67,913,790
- Child care	\$9,176,759	\$9,771,691	\$9,195,335	\$9,542,275
- Homes for the elderly	\$5,431,464	\$5,783,657	\$5,442,455	\$5,647,750
- Residential mental health and substance abuse facilities	\$14,909,209	\$15,875,849	\$14,939,320	\$15,503,050
- Individual and family services	\$22,148,823	\$23,584,919	\$22,193,615	\$23,031,040
- Vocational rehabilitation services	\$5,668,106	\$6,035,607	\$5,679,575	\$5,893,895
- Community food and housing/emergency/other relief services	\$329,651	\$351,016	\$330,315	\$342,760
- Other social assistance	\$1,169,483	\$1,245,327	\$1,171,825	\$1,216,095
- Social advocacy and civic and social organizations	\$5,537,689	\$5,896,726	\$5,548,950	\$5,758,330
- Religious organizations' services to households	\$881,204	\$938,410	\$883,025	\$916,370
- Foundations and grant making and giving services to households	\$59,770	\$63,641	\$59,945	\$62,225
2) Business Purchases of Services Tax Expenditures				
Transportation Services	\$65,258,487	\$69,926,698	\$66,434,165	\$69,494,685
- Air transportation	\$8,913,689	\$9,554,017	\$9,081,145	\$9,492,115
- Rail transportation	\$1,859,382	\$1,989,053	\$1,885,845	\$1,971,345
- Water transportation	\$220,276	\$242,231	\$235,410	\$250,705
- Truck transportation	\$9,478,659	\$10,149,563	\$9,632,240	\$10,070,855
- Transit and ground passenger transportation	\$4,791,679	\$5,125,203	\$4,861,815	\$5,076,990
- Scenic and sightseeing transportation and support activities for transportation	\$11,462,766	\$12,286,065	\$11,684,050	\$12,226,595
- Couriers and messengers	\$14,138,803	\$15,160,233	\$14,407,130	\$15,096,165
- Warehousing and storage	\$14,393,233	\$15,420,334	\$14,646,530	\$15,309,915
Information services	\$27,520,213	\$29,462,835	\$27,992,890	\$29,354,430
- Directory mailing list and other publishing services	\$627,994	\$668,800	\$632,225	\$661,960
- Motion picture and video services	\$6,090,055	\$6,517,352	\$6,196,565	\$6,541,890
- Sound recording	\$860,772	\$921,168	\$875,235	\$919,600
- Radio and television broadcasting	\$1,098,938	\$1,174,162	\$1,114,445	\$1,179,045
- Internet publishing and broadcasting	\$1,537,456	\$1,654,862	\$1,580,325	\$1,663,355
- Internet service providers and web search portals	\$2,829,834	\$3,030,605	\$2,879,735	\$3,012,545
- Data processing hosting and related services	\$13,181,159	\$14,116,278	\$13,408,585	\$14,007,275
- Other information services	\$1,294,005	\$1,379,609	\$1,305,775	\$1,368,760
Financial Services	\$383,131,353	\$408,922,294	\$387,178,105	\$403,740,975
- Monetary authorities and depository credit intermediation	\$47,703,125	\$50,865,480	\$48,088,335	\$50,038,970
- Nondepository credit intermediation and related activities	\$30,404,735	\$32,366,785	\$30,528,155	\$31,699,600
- Securities, commodity contracts, investments and related activities	\$41,036,613	\$43,595,415	\$41,054,630	\$42,535,490
- Insurance carriers	\$45,102,410	\$48,302,513	\$45,909,320	\$48,104,105
- Insurance agencies, brokerages and related activities	\$41,168,758	\$43,485,481	\$40,670,355	\$41,853,770
- Funds, trusts and other financial vehicles	\$2,438,787	\$2,570,909	\$2,401,600	\$2,470,665
- Real estate	\$153,895,051	\$164,717,394	\$156,552,875	\$164,018,450
- General and consumer goods rental	\$501,846	\$533,368	\$503,215	\$523,355
- Commercial and industrial machinery and equipment rental and leasing	\$940,364	\$999,647	\$942,970	\$980,875
- Lessors of nonfinancial intangible assets	\$19,939,664	\$21,485,305	\$20,526,650	\$21,515,695
Legal, Business, Administrative, and Support Services	\$496,804,515	\$532,753,436	\$506,938,810	\$530,339,780

Appendix C continued

	FY'14	FY'15	FY'16	FY'17
- Legal services	\$33,124,381	\$35,504,189	\$33,756,540	\$35,315,775
- Accounting, tax preparation, bookkeeping and payroll services	\$26,674,383	\$28,598,620	\$27,207,525	\$28,491,355
- Architectural, engineering and related services	\$34,343,774	\$36,705,103	\$34,830,515	\$36,375,500
- Specialized design services	\$5,423,942	\$5,837,997	\$5,574,030	\$5,827,870
- Custom computer programming services	\$1,250,803	\$1,343,139	\$1,281,265	\$1,334,275
- Computer systems design services	\$11,503,629	\$12,286,692	\$11,643,105	\$12,151,450
- Other computer related services including facilities management	\$19,955,826	\$21,390,837	\$20,343,015	\$21,299,475
- Management, scientific and technical consulting services	\$31,460,573	\$33,839,504	\$32,305,225	\$33,941,030
- Environmental and other technical consulting services	\$5,268,113	\$5,650,733	\$5,379,470	\$5,638,345
- Scientific research and development services	\$24,922,039	\$26,614,060	\$25,223,450	\$26,271,300
- Advertising and related services	\$66,322,356	\$71,190,730	\$67,738,230	\$70,911,135
- All other miscellaneous professional, scientific and technical services	\$13,299,581	\$14,283,896	\$13,607,040	\$14,245,725
- Photographic services	\$606,647	\$660,649	\$636,975	\$674,025
- Veterinary services	\$815,945	\$868,291	\$820,420	\$854,810
- Management of companies and enterprises	\$110,219,095	\$118,264,949	\$112,659,170	\$117,620,355
- Other administrative services	\$10,310,868	\$11,072,193	\$10,553,835	\$11,085,550
- Facilities support services	\$2,403,006	\$2,554,398	\$2,409,485	\$2,505,815
- Business support services	\$15,151,441	\$16,280,996	\$15,515,970	\$16,259,155
- Investigation and security services	\$8,868,353	\$9,484,316	\$8,998,685	\$9,398,540
- Services to buildings and dwellings	\$3,753,935	\$3,990,333	\$3,763,995	\$3,914,475
- Other support services	\$10,556,759	\$11,324,038	\$10,775,565	\$11,283,625
- Employment services	\$40,001,715	\$42,959,532	\$40,953,930	\$43,019,990
- Travel arrangement and reservation services	\$5,174,595	\$5,548,532	\$5,274,495	\$5,519,500
- Waste management and remediation services	\$15,392,758	\$16,499,714	\$15,686,875	\$16,400,705
Educational Services	\$5,523,559	\$5,872,482	\$5,561,490	\$5,804,880
- Junior colleges, colleges, universities, and professional schools	\$3,630,023	\$3,860,439	\$3,661,015	\$3,824,985
- Other educational services	\$1,893,536	\$2,012,043	\$1,900,475	\$1,979,895
Medical Services	\$10,749,183	\$11,506,286	\$10,972,405	\$11,570,525
- Offices of physicians, dentists, and other health practitioners	\$461,084	\$490,105	\$462,270	\$480,795
- Medical and diagnostic labs and outpatient and other ambulatory care services	\$9,788,387	\$10,484,694	\$10,008,345	\$10,567,230
- Home health care services	\$5,083	\$5,434	\$5,225	\$5,510
- Hospitals	\$256,666	\$273,163	\$258,020	\$268,850
- Nursing and residential care facilities	\$237,963	\$252,890	\$238,545	\$248,140
Social Services	\$6,312,651	\$6,758,015	\$6,416,965	\$6,707,095
- Individual and family services	\$112,933	\$119,966	\$113,145	\$117,705
- Community food, housing and other relief services including rehabilitation services	\$13,502	\$14,317	\$13,585	\$14,060
- Child day care services	\$145,360	\$154,556	\$145,730	\$151,620
- Grant making, giving and social advocacy organizations	\$42,896	\$45,667	\$43,035	\$44,650
- Civic, social, professional and similar organizations	\$5,997,960	\$6,423,511	\$6,101,470	\$6,379,060
Amusement and recreational services	\$10,709,132	\$11,486,013	\$10,924,525	\$11,452,725
- Performing arts companies	\$1,510,621	\$1,625,393	\$1,549,165	\$1,625,545
- Spectator sports	\$1,734,149	\$1,855,607	\$1,762,155	\$1,854,020
- Promoters of performing arts and sports and agents for public figures	\$1,459,694	\$1,568,545	\$1,493,875	\$1,565,980
- Independent artists, writers and performers	\$4,001,452	\$4,287,635	\$4,075,310	\$4,268,350
- Amusement parks, arcades and gambling industries	\$51,638	\$55,385	\$52,725	\$55,290
- Other amusement and recreational industries	\$1,328,870	\$1,425,589	\$1,356,220	\$1,419,775
- Fitness and recreational sports centers	\$619,557	\$664,516	\$631,845	\$660,440
- Bowling centers	\$3,151	\$3,344	\$3,230	\$3,325
Repair, Maintenance , and Personal Services	\$20,682,116	\$22,087,747	\$20,877,295	\$21,741,320
- Automotive repair and maintenance	\$4,739,736	\$5,061,771	\$4,776,125	\$4,962,325
- car wash	\$371,226	\$398,354	\$379,620	\$397,385
- Electronic and precision equipment repair and maintenance	\$4,447,797	\$4,741,897	\$4,476,115	\$4,657,280
- Commercial and Industrial machinery repair and maintenance	\$4,153,927	\$4,436,966	\$4,187,315	\$4,351,665
- Personal and household goods repair and maintenance	\$2,239,350	\$2,392,214	\$2,259,480	\$2,351,820
- Personal care services	\$153,593	\$161,244	\$150,385	\$155,040
- Dry-cleaning and laundry services	\$3,210,005	\$3,425,615	\$3,246,720	\$3,392,925
- other personal services	\$1,366,481	\$1,469,688	\$1,401,535	\$1,472,880

Appendix D: Distribution of Select Tax Expenditures, Full-year Residents, Tax Year 2016

<u>Expanded Income</u>	Families	Pension deduction		Social Security taxable at federal level		Itemized deductions	
		Families with tax benefit	Tax benefit	Families with tax benefit	Tax benefit	Families with tax benefit	Tax benefit
-\$ Infinity <= 18229	140,167	44	\$4,000	15	\$0	67	\$5,000
18229 <= 25232	70,082	444	\$89,000	53	\$7,000	585	\$106,000
25232 <= 33296	70,084	1,199	\$365,000	148	\$24,000	1,482	\$370,000
33296 <= 42557	70,083	1,864	\$670,000	853	\$136,000	3,481	\$1,029,000
42557 <= 53725	70,084	3,369	\$1,446,000	3,690	\$886,000	6,971	\$2,477,000
53725 <= 67879	70,085	6,170	\$2,872,000	8,946	\$3,573,000	12,436	\$4,816,000
67879 <= 88929	70,080	9,360	\$5,322,000	18,281	\$13,711,000	17,998	\$8,063,000
88929 <= 124812	70,083	11,075	\$7,758,000	18,098	\$27,362,000	24,378	\$12,601,000
124812 <= \$ Infinity	70,083	10,811	\$7,946,000	15,482	\$33,385,000	40,807	\$35,700,000
Totals	700,832	44,336	\$26,473,000	65,565	\$79,085,000	108,206	\$65,168,000
<u>Top Decile Decomposition: 90-95, 95-99, and 99+ :</u>							
124812 <= 167527	35,041	5,622	\$4,188,000	7,496	\$14,862,000	17,064	\$10,919,000
167527 <= 362145	28,035	4,351	\$3,247,000	6,273	\$14,162,000	18,622	\$17,168,000
362145 <= \$ Infinity	7,006	838	\$511,000	1,713	\$4,361,000	5,122	\$7,613,000

Note: The dollar amounts represent the total tax expenditure.

Appendix E: Tax Incidence Report

Introduction

36 M.R.S.A. §200 requires the Maine Revenue Services' Office of Tax Policy (MRS/OTP) to report on "the overall incidence of all state, local and county taxes" at the beginning of each odd-numbered year. Table 1 provides that information for calendar year 2012, the latest year that MRS/OTP has full information on income and taxes from state, local and federal tax sources. MRS/OTP estimates the state and local tax burden on Maine resident tax families in CY12 was 8.05%, down slightly from 8.17% in CY11. The tax burden from state level taxes was 5.64% and the tax burden from the local property tax net of the Homestead Exemption was 2.41%. Table 1 shows that with the exception of the bottom quintile of Maine resident tax families the effective tax rate of state and local taxes was relatively proportional across income deciles.

The chart below provides a history of estimated state and local tax burdens for 2008-12, a preliminary estimate for 2013 and a forecast for 2014-2019. The significant reduction in the state level tax burden in CY13 reflects the effect of the 2013 tax cuts enacted by the 125th Legislature and the first year of availability of the Property Tax Fairness Credit (PTFC). The bump in state level tax burden estimated for CY14 and CY15 reflects the temporary sales tax increase enacted by the 126th Legislature.

Background

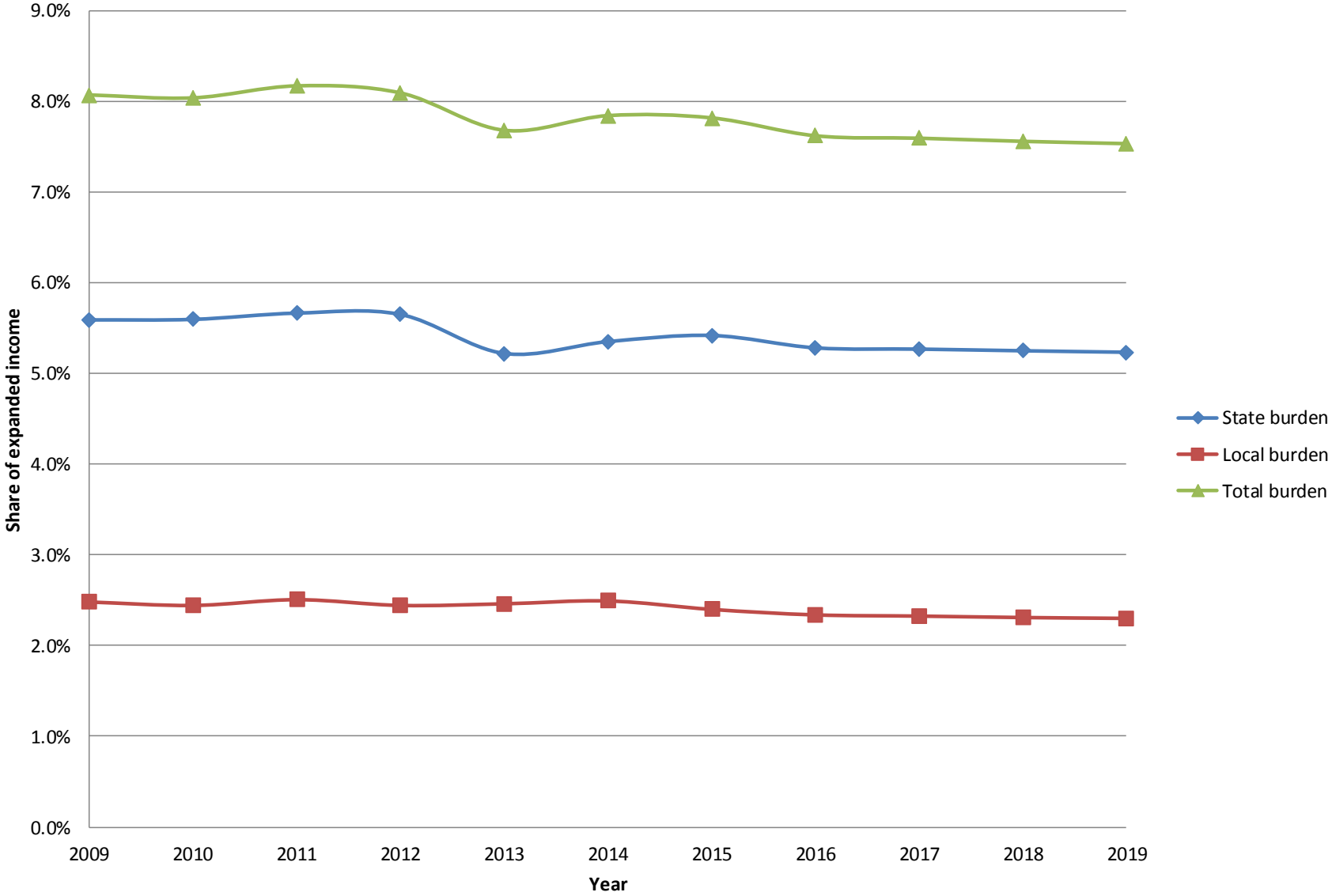
The Federal Government, some states, and a few independent economic research organizations do regular tax incidence studies or develop a distributional analysis of proposed changes to the tax system. Maine has been required to develop such information since 1997. Similar to the experience at the federal level and in other states, the level of detail and the form of presentation that these studies have taken have evolved over time. The Maine tax incidence report and distributional tables are no different. Whereas previous incidence reports have included the economic incidence of business taxes, this report does not. This report provides information on the distribution of direct taxes paid by Maine resident families for the individual income tax, the consumer portions of the sales, service provider, and excise taxes, and the direct residential property taxes paid on a tax family's principle residence. These three sources of revenue to Maine state and local governments represent the vast majority of state and local taxes and are the least controversial in determining the economic incidence.

Table 1

Maine Resident Taxes, 2012

Expanded income			Income Tax			Sales + Excise Tax			Property Tax			All Taxes Combined		
Percentile	Income Range	Aggregate Amount (\$ MIL)	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate	Tax Liability (\$ MIL)	Percentage Distribution	Effective Tax Rate
Bottom 20	\$ Infinity <= 16350	\$1,319.8	\$1.8	0.1%	0.14%	\$81.3	9.4%	6.16%	\$37.8	3.9%	2.87%	\$120.9	3.8%	9.16%
20-30	16350 <= 22462	\$1,340.9	\$7.5	0.5%	0.56%	\$58.6	6.8%	4.37%	\$37.4	3.9%	2.79%	\$103.5	3.2%	7.72%
30-40	22462 <= 29315	\$1,799.7	\$21.5	1.6%	1.19%	\$56.6	6.5%	3.14%	\$50.7	5.3%	2.82%	\$128.8	4.0%	7.16%
40-50	29315 <= 37258	\$2,318.0	\$36.4	2.6%	1.57%	\$67.1	7.8%	2.90%	\$67.2	7.0%	2.90%	\$170.7	5.3%	7.36%
50-60	37258 <= 47201	\$2,919.0	\$62.2	4.5%	2.13%	\$80.2	9.3%	2.75%	\$92.2	9.6%	3.16%	\$234.7	7.3%	8.04%
60-70	47201 <= 59598	\$3,698.5	\$90.8	6.6%	2.46%	\$88.6	10.2%	2.40%	\$120.6	12.6%	3.26%	\$300.1	9.4%	8.11%
70-80	59598 <= 77756	\$4,732.3	\$131.1	9.6%	2.77%	\$102.8	11.9%	2.17%	\$145.7	15.2%	3.08%	\$379.6	11.9%	8.02%
80-90	77756 <= 109058	\$6,361.8	\$222.9	16.2%	3.50%	\$122.2	14.1%	1.92%	\$172.9	18.0%	2.72%	\$518.0	16.2%	8.14%
Top 10 percent	109058 <= \$ Infinity	\$15,227.3	\$798.6	58.2%	5.24%	\$208.4	24.1%	1.37%	\$234.5	24.5%	1.54%	\$1,241.4	38.8%	8.15%
Totals		\$39,717.3	\$1,372.7	100.0%	3.46%	\$865.8	100.0%	2.18%	\$959.1	100.0%	2.41%	\$3,197.6	100.0%	8.05%
<u>Addendum</u>														
90-95	109058 <= 147155	\$4,352.4	\$186.8	13.6%	4.29%	\$61.2	7.1%	1.41%	\$102.0	10.6%	2.34%	\$349.9	10.9%	8.04%
95-99	147155 <= 321543	\$5,499.2	\$279.9	20.4%	5.09%	\$76.0	8.8%	1.38%	\$102.1	10.6%	1.86%	\$457.9	14.3%	8.33%
Top 1 percent	321543 <= \$ Infinity	\$5,375.7	\$331.9	24.2%	6.17%	\$71.2	8.2%	1.33%	\$30.5	3.2%	0.57%	\$433.7	13.6%	8.07%

Maine Resident Tax Burden



The demographic unit of measurement is the tax family. A tax family is defined as a taxpayer, his or her spouse and dependents (if any) living in the same household. A household may contain multiple tax families if unmarried people are cohabitating, or an elderly parent or adult child who is not a dependent is therefore required to file their own tax return. Income and taxes paid by a dependent filer is combined with the family that claimed them as a dependent to form the tax family. Families that are not required to file an income tax return are included in the analysis to account for the sales and property taxes they may pay.

To calculate effective tax rates for families and to group families by various income classes, an income measure that is a reasonable proxy for the family's ability to pay is needed. Since there are many sources of income that excluded or exempt from income taxes, gross income as calculated on income tax returns is not the best indicator of a family's economic well-being. In the MRS/OTP analysis a broader measure of income, Expanded Income, is used to measure a family's ability to pay. Expanded income equals total cash income, excluding business and capital losses, plus tax-exempt Social Security, interest, public assistance payments, Supplemental Social Security payments, and the employer share of payroll taxes. Alimony paid is excluded from expanded income but alimony received is included.

Population deciles divide the number of tax families into ten equal groups stratified by expanded income. The first two deciles are combined into a quintile that represents the bottom 20% of Maine expanded income. The top decile is broken out to show the 90th to 95th percentile, 96th to 99th percentile and the top 1% of Maine tax families. As described in more detail below, the effective tax rates for the bottom quintile should be viewed with caution.

State & Local Taxes – 2012

As noted above the focus of this report is on tax liability incurred during calendar year 2012 relative to income received during calendar year 2012. For individual income tax that is the liability calculated on the 2012 income tax return. For sales and excise taxes it includes the taxes paid by the taxpayer for purchases made during calendar year 2012. Property taxes are based on the assessed value of property on April 1, 2012.

The total effective tax rate of 9.16% on taxpayers in this range is higher than the effective rate on families in other income categories. Not surprisingly most of the tax burden on these families comes from sales and excise and residential property taxes, both of which are regressive. Data on low income families are limited and are often flawed, especially information on income and consumption. Consumption patterns for families in this study are based on the Consumer Expenditure Survey (CEX), which is the source of information commonly used in incidence studies. It's not uncommon for the CEX to produce results where the level of consumption reported by low-income families is higher than the reported level of income. While this may

appear to be unreasonable, there are a number of reasons for this outcome. First, retirees may have high levels of wealth that allows them to maintain a standard of living that is not reflected by their reported level of income. The best example of this measurement error is the widow with low income, still living in the family home and paying high property taxes. If this widow is drawing down on savings or other assets to pay her property tax bill then the effective tax rate on this person will be relatively high. Second, families may have temporary negative shocks to their income that make them appear to be low income, but on a more permanent basis have higher incomes. The consumption pattern for this family is based on their permanent income while the effective tax rate is based on the temporarily low income reported in the study year. Previous incidence studies indicate that a portion of the low-income group may be there on a temporary basis. Third, the CEX does ask for income information, but many analysts believe that the income reported on the CEX is understated. If families report their consumption with greater accuracy than their income, the effective rate for this group will be overstated. Finally, families in the lower income category may receive financial assistance that is not included in the expanded income measure used in this study. Once again, such an omission reduced the income measurement, which in turn will overstate the effective tax rate. For all these reasons, the effective rate for the lowest income category should be viewed with caution.

Deciles above the bottom quintile show the effective tax rate to be relatively flat at approximately 8%. Clearly the progressive state level income tax offsets the regressive sales and excise and local property taxes. The excise taxes included in the consumption taxes (e.g. cigarette & tobacco taxes, motor fuel excise taxes, etc) are particularly regressive. The Maine Residents Property Tax and Rent Program (aka the Circuitbreaker Program) was repealed in 2013 and replaced with the Property Tax Fairness Credit. As a result, there was no state level property tax relief for the 2012 tax year.

Suits Index for Maine State and Local Tax System – 2012

In the previous section, the effective tax rates for each category of taxes were presented. The effective tax rate – that is, the ratio of taxes to income – can be used to compare tax burdens across income categories. However, it is difficult to summarize the overall distribution of a tax (progressive, proportional, or regressive) from the individual effective tax rates. This section uses the Suits Index as a summary of the overall distribution for a specific tax.

The law requiring this report requires that the report include “a measure of system-wide incidence that appropriately measures equality and inequality.” The Suits Index is a generally accepted index of how progressive or regressive any given tax or tax system is. The index varies from +1 at the extreme of progressivity where the entire tax burden is borne by members of the highest income bracket, through 0 for a proportional tax, to –1 at the extreme of regressivity at

which the entire tax burden is borne by members of the lowest income bracket. Another useful property of the index is that the index of progressivity of a tax system consisting of two or more taxes is a weighted average of their individual indexes.

Table 2 shows the Suits indexes for Maine state and local taxes in 2012. At the state level, the individual is progressive, while the sales and excise taxes are regressive. Overall, taxes administered at the state level are slightly progressive (+.07). The local property tax has a negative Suits index value indicating that it is regressive (-.14). The Suits index for the overall state tax system shows that it is proportional with a value of +.01.

Table 2
Suits Indexes for Maine State & Local Taxes

Tax Category	2012
Individual Income Tax	0.26
Consumer Sales & Excise Taxes	-0.22
Total State Taxes	0.07
Residential Property Taxes	
Gross of State Programs	-0.14
Net of State Programs	-0.14
Total State and Local Taxes	0.01