

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

FIRST REGULAR SESSION-1995

Legislative Document

No. 114

H.P. 78

House of Representatives, January 17, 1995

An Act to Require Indirect Economic Analysis of Tax Expenditures.

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative SIMONEAU of Thomaston.
Cosponsored by Representatives: CAMERON of Rumford, CAMPBELL of Holden, DiPIETRO of South Portland, DONNELLY of Presque Isle, DORE of Auburn, DUNN of Gray, GUERRETTE of Pittston, KERR of Old Orchard Beach, LAYTON of Cherryfield, LEMONT of Kittery, LIBBY of Kennebunk, LINDAHL of Northport, MADORE of Augusta, MURPHY of Berwick, NADEAU of Saco, PERKINS of Penobscot, PLOWMAN of Hampden, REED of Falmouth, SPEAR of Nobleboro, STONE of Bangor, TAYLOR of Cumberland, Senators: BEGLEY of Lincoln, CAREY of Kennebec, CARPENTER of York, HARRIMAN of Cumberland, HATHAWAY of York, PENDEXTER of Cumberland, RAND of Cumberland, RUHLIN of Penobscot, SMALL of Sagadahoc.

2
3 **Be it enacted by the People of the State of Maine as follows:**

4 **Sec. 1. 5 MRSA §1664, 2nd ¶,** as amended by PL 1981, c. 702,
Pt. N, is further amended to read:

6 Part 1 shall must consist of a budget message by the
7 Governor-elect, or the Governor, which shall must outline the
8 financial policy of the State Government for the ensuing
9 biennium, describing in connection therewith the important
10 features of the financial plan. It shall must embrace a general
11 budget summary setting forth the aggregate figures of the budget
12 in such manner as to show the balanced relations between the
13 total proposed expenditures and the total anticipated revenues
14 together with the other means of financing the budget for each
15 fiscal year of the ensuing biennium, contrasted with the
16 corresponding figures for the last completed fiscal year and the
17 fiscal year in progress. It shall must specifically describe the
18 estimated loss in revenue during the last completed fiscal year
19 and the fiscal year in progress, and the anticipated loss in
20 revenue for each fiscal year of the ensuing biennium, caused by
21 tax expenditures provided in Maine statutes; the term "tax
22 expenditures" means those state tax revenue losses attributable
23 to provisions of Maine tax laws which that allow a special
24 exclusion, exemption or deduction or which that provide a special
25 credit, a preferential rate of tax or a deferral of tax
26 liability. The estimates of the loss in revenue of tax
27 expenditures must include analysis of the indirect economic
28 effects of each tax expenditure beyond the effects on the
29 individuals or corporations directly impacted by the tax
30 expenditure. The general budget summary shall must be supported
31 by explanatory schedules or statements, classifying the
32 expenditures contained therein in the summary by organization
33 units, objects and funds, and the income by organization units,
34 sources and funds.

35 **Sec. 2. 5 MRSA §3305, sub-§1, ¶H,** as amended by PL 1991, c.
36 780, Pt. DDD, §21, is further amended to read:

37 H. Compile, analyze and maintain information useful to the
38 development of industry in the State concerning resources,
39 sites, space, equipment, adequate housing, contracts,
40 materials, transportation, markets, labor supply, population
41 trends and other economic considerations and shall measure
42 and monitor economic distress and poverty in the State on an
43 ~~en-going~~ ongoing basis. The State Planning Office, in
44 conjunction with the Department of Economic and Community
45 Development, shall study problems peculiar to the industry
46 and economy of this State with a view toward the broader
47 utilization of our natural resources, which studies shall
48 must be advanced by coordination of research with existing
49 private and governmental agencies and educational
50

2 institutions, and may be advanced by contractual relations
3 with persons or organizations equipped to conduct the needed
4 research. The State Planning Office shall, upon request
5 from the Governor or any state department, assist in the
6 preparation of reports regarding the responsibilities and
7 duties provided by this subsection, including regular
8 analysis of poverty and economic distress. The State
9 Planning Office shall coordinate its activities pursuant to
10 this paragraph with the Bureau of Child and Family Services
11 to meet the annual reporting needs of the bureau; and

12 **Sec. 3. 5 MRSA §3305, sub-§1, ¶K,** as enacted by PL 1989, c.
13 501, Pt. DD, §12, is amended to read:

14 K. Coordinate the development of energy policy, including:

15 (1) Collecting and analyzing energy data from all
16 available energy sources in the State. The director
17 shall afford confidential treatment to information,
18 documents and data dealing with sales of individual
19 companies that are engaged in the wholesale and retail
20 trade of petroleum products in the State, upon request
21 of the individual companies;

22 (2) Preparation of an energy resources plan to be
23 submitted to the Governor and the Legislature every 2
24 years that includes a description of historical energy
25 demand by end-use sector and energy resources used to
26 meet that demand and a forecast of energy demand by
27 end-use sector for the next 5 years, 10 years and 20
28 years, which shall must include an electric and gas
29 forecast;

30 (3) Encouragement and direction or sponsorship of
31 research, experiments and demonstration projects within
32 the State to develop alternate energy sources,
33 particularly, but not limited to, those sources that
34 rely on renewable natural resources of the State, such
35 as solar energy, water of tides and rivers, forests,
36 winds and other sources which that to date have not
37 been fully explored or utilized; and

38 (4) Provision of conservation alternatives to proposed
39 new electric power generating plants and assessment of
40 the long-term and short-term energy savings realized by
41 the conservation alternatives; and

42 **Sec. 4. 5 MRSA §3305, sub-§1, ¶L** is enacted to read:

43 L. Assist the State Budget Officer and the State Tax
44 Assessor in conducting economic analysis of proposed

2 legislation affecting tax expenditures, including analysis
4 of the indirect economic effects of proposed tax
6 expenditures beyond the effects on the individuals or
corporations directly impacted by those tax expenditures,
and to supply that economic analysis of proposed tax
expenditures to the Office of Fiscal and Program Review.

8
10 **STATEMENT OF FACT**

12 This bill requires the implementation of indirect economic
14 analysis in determining the effect of tax expenditures on state
revenue. This indirect economic analysis has also been referred
to as "dynamic revenue analysis."