

MAINE STATE LEGISLATURE

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125th MAINE LEGISLATURE

SECOND REGULAR SESSION-2012

Legislative Document

No. 1730

S.P. 590

In Senate, January 4, 2012

An Act To Require the Review of Proposed Tax Expenditures

Submitted by the Joint Standing Committee on Taxation pursuant to the Maine Revised Statutes, Title 36, section 199-D.

Reference to the Committee on Taxation suggested and ordered printed.

Joseph G. Carleton Jr.

JOSEPH G. CARLETON, JR.
Secretary of the Senate

Presented by Senator HASTINGS of Oxford.

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

2 **Sec. 1. 36 MRSA §199-A, sub-§1-A** is enacted to read:

3 **1-A. Legislative initiative.** "Legislative initiative" means a matter requiring
4 legislative action, including, but not limited to, an item included in a biennial or
5 supplemental budget.

6 **Sec. 2. 36 MRSA §199-E** is enacted to read:

7 **§199-E. Review of proposed tax expenditures**

8 **1. Committee evaluation.** Whenever legislation or a legislative initiative proposes a
9 new tax expenditure or proposes a change that prolongs or expands an existing tax
10 expenditure, the committee shall, to the extent that the information is available, consider
11 the following when evaluating whether the tax expenditure should be enacted, prolonged
12 or expanded:

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

16 B. Public policy objectives that provide a justification for the tax expenditure,
17 including, but not limited to, the extent to which the tax expenditure attracts business,
18 encourages local investment and spending or has a significant statewide impact on
19 quality of life or social goals;

20 C. Projections of the fiscal impact of the tax expenditure, including but not limited to
21 any necessary explanation of state revenue loss and whether there is any proposal to
22 offset a revenue loss;

23 D. The impact the tax expenditure may have on consumer and business spending
24 patterns as well as the general effect the tax expenditure may have on the overall state
25 economy;

26 E. Unintended benefits or negative consequences the tax expenditure may have on an
27 individual, organization or industry other than that specifically targeted in the
28 legislation or legislative initiative;

29 F. Similar tax expenditures adopted in other states and potential competitive benefits
30 of the tax expenditure;

31 G. Standards for accountability or reporting requirements for the recipient of the tax
32 expenditure and the extent to which the standards or reporting requirements are
33 included in the legislation or legislative initiative;

34 H. Methods for evaluating the tax expenditure, the cost of data collection and
35 analysis for the evaluation of the tax expenditure and the extent to which a process
36 for evaluation of the tax expenditure is included in the legislation or legislative
37 initiative; and

1 I. The administrative ease of adjusting or recapturing the tax expenditure if the
2 objectives are not fulfilled and whether a mechanism for adjusting or recapturing is
3 included in the legislation or legislative initiative.

4 **2. Repeal and review.** Legislation or a legislative initiative that proposes a new tax
5 expenditure or proposes a change that prolongs or expands an existing tax expenditure
6 must include a repeal date and provide for a review process to be used in evaluating the
7 tax expenditure.

8 **3. Procedures for legislative committees.** Whenever legislation or a legislative
9 initiative proposes a new tax expenditure or a change that prolongs or expands an existing
10 tax expenditure, the joint standing committee of the Legislature having jurisdiction over
11 the proposal shall hold a public hearing and determine the level of support for the
12 proposal among the members of that committee. If there is support for the proposal
13 among a majority of the members of the committee of jurisdiction, the chairs of the
14 committee of jurisdiction shall request the joint standing committee of the Legislature
15 having jurisdiction over taxation matters to review and evaluate the legislation or
16 legislative initiative pursuant to subsection 1 and shall provide the information necessary
17 to evaluate the legislation or legislative initiative. The joint standing committee of the
18 Legislature having jurisdiction over taxation matters shall review and evaluate the
19 legislation or legislative initiative pursuant to subsection 1 and report to the committee of
20 jurisdiction with an advisory opinion. A proposed new tax expenditure or a change that
21 prolongs or expands an existing tax expenditure may not be enacted into law unless the
22 review and evaluation pursuant to subsection 1 have been completed.

23 **SUMMARY**

24 This bill creates a review process to be performed by the joint standing committee of
25 the Legislature having jurisdiction over taxation matters prior to the enactment of
26 legislation or approval of a legislative initiative that would result in a new tax expenditure
27 or a change that prolongs or expands an existing tax expenditure. The bill requires that
28 committee to consider the groups and numbers of taxpayers affected, the public policy
29 objectives that provide justification for the proposed tax expenditure, fiscal impact
30 projections related to the proposed tax expenditure, effects the proposed tax expenditure
31 may have on the economy, unintended benefits or negative consequences of the proposed
32 tax expenditure, similar tax expenditures in other states, standards of accountability or
33 reporting requirements related to the proposed tax expenditure, methods for evaluating
34 the proposed tax expenditure and mechanisms for recapturing the proposed tax
35 expenditure if objectives are not fulfilled. The bill requires proposals for a new tax
36 expenditure or a change that prolongs or expands an existing tax expenditure to include a
37 repeal date and a review process for the tax expenditure. The bill requires the joint
38 standing committee of the Legislature having jurisdiction over a proposal for a new tax
39 expenditure or a change that prolongs or expands an existing tax expenditure to seek an
40 advisory opinion from the joint standing committee of the Legislature having jurisdiction
41 over taxation matters prior to enacting legislation or recommending a legislative initiative
42 that would result in a new tax expenditure or a change that prolongs or expands an
43 existing tax expenditure.

