

MAINE STATE LEGISLATURE

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Date: 4/3/14

Majority

TAXATION

L.D. 1463
(Filing No. H-800)

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
126TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1048, L.D. 1463, Bill, "An Act To Examine Best Practices Relating to Tax Expenditures"

Amend the bill by striking out the title and substituting the following:

'Resolve, To Develop a Process for Tax Expenditure Review'

Amend the bill by striking out everything after the title and inserting the following:

'Sec. 1. Office of Program Evaluation and Government Accountability to develop proposal for review of tax expenditures. Resolved: That the Office of Program Evaluation and Government Accountability, referred to in this resolve as "the office," shall develop a proposal for implementing a process for ongoing review of tax expenditures by the Legislature for the purpose of facilitating evaluation of the effectiveness of tax expenditures and providing a framework for recommendations to the Legislature and its committees. The proposal must include the following elements:

1. Classification of tax expenditures. The assignment of each tax expenditure to one of the following review categories:

A. Full evaluation review for tax expenditures that are intended to provide an incentive for specific behaviors, that provide a benefit to a specific group of beneficiaries or for which measurable goals can be established;

B. Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured; and

C. No review for tax expenditures with an impact on state revenue of less than \$50,000 or that otherwise do not warrant either a full evaluation or expedited review;

2. Schedule. A schedule for ongoing review of the tax expenditures in the categories identified under subsection 1, paragraphs A and B. To the extent practicable, the office shall attempt to group tax expenditures with similar goals during the same review cycle;

3. Evaluation parameters for full evaluations. Evaluation parameters for each tax expenditure identified under subsection 1, paragraph A, including:

COMMITTEE AMENDMENT

- 1 A. The purposes, intent or goals of the tax expenditure;
- 2 B. The intended beneficiaries of the tax expenditure; and
- 3 C. The performance measures appropriate for measuring the extent to which the tax
4 expenditure is accomplishing its purposes, intent or goals. Performance measures
5 must be clear and relevant to the specific expenditure and the following evaluation
6 objectives:
- 7 (1) The extent to which those actually benefiting from the tax expenditure are the
8 intended beneficiaries;
- 9 (2) The fiscal impact of the tax expenditure, including past and estimated future
10 impacts;
- 11 (3) The extent to which the design of the tax expenditure is effective in
12 accomplishing its purposes, intent or goals and is consistent with best practices;
- 13 (4) The extent to which the tax expenditure is achieving its purposes, intent or
14 goals identified under paragraph A;
- 15 (5) The extent to which the desired behavior might have occurred without the tax
16 expenditure;
- 17 (6) The extent to which there are other tax expenditures, state spending or other
18 government programs that have the same purposes, intent or goals as the tax
19 expenditure and whether those additional programs are appropriately coordinated
20 with the tax expenditure and are complementary or duplicative;
- 21 (7) Any opportunities to improve the effectiveness of the tax expenditure in
22 meeting its purposes, intent or goals; and
- 23 (8) The extent to which the tax expenditure is a cost-effective use of resources
24 compared to other options for using the same resources or addressing the same
25 purposes, intent or goals.

26 When determining evaluation parameters, the office shall consider legislative intent and
27 may consider subsequent developments in the State's economy and economic or tax
28 strategies, goals and policies. The office shall seek and consider input from the joint
29 standing committee of the Legislature having jurisdiction over taxation matters and the
30 Government Oversight Committee and may seek input from stakeholders and experts in
31 evaluation, economics, economic development or tax policy;

32 **4. Identification of criteria for expedited review.** A description of elements of an
33 expedited review by the appropriate joint standing committee of the Legislature having
34 jurisdiction over a tax expenditure identified under subsection 1, paragraph B with the
35 objectives of identifying:

- 36 A. A description of each tax policy basis associated with a tax expenditure and the
37 reasons the State adopted the tax policy;
- 38 B. The fiscal impact of each tax policy and each related tax expenditure, including
39 past and estimated future impacts;
- 40 C. The extent to which each tax policy is consistent or inconsistent with other state
41 goals;

1 D. The extent to which the reasons for the adoption of each tax policy still remain or
2 whether the tax policy should be reconsidered;

3 E. The extent to which the design of each tax expenditure is effective to accomplish
4 its tax policy purpose; and

5 F. Whether there are reasons to consider discontinuing or amending a specific tax
6 expenditure;

7 **5. Data and data sources.** A description of the type of data, and potential sources
8 of that data, that would be needed to accomplish full evaluations and expedited reviews
9 consistent with the proposed objectives in subsections 3 and 4 for each tax expenditure
10 identified under subsection 1, paragraphs A and B. The description must indicate if any
11 needed information is designated by law as confidential and identify procedures for
12 protection of the confidentiality of that information;

13 **6. Stakeholder and public comment.** Identification of options for including in the
14 evaluation process an opportunity for comment by stakeholders and other members of the
15 public;

16 **7. Assessment of resources.** An estimate of the staff and other resources that would
17 need to be budgeted for the office to perform the full evaluations of the tax expenditures
18 identified pursuant to subsection 1, paragraph A to meet the objectives set forth in
19 subsection 3, paragraph C and to provide the information needed for expedited reviews of
20 the tax expenditures identified pursuant to subsection 1, paragraph B to meet the
21 objectives in subsection 4, in accordance with the schedule proposed in subsection 2; and

22 **8. Revisions to statute.** Revisions to statute that would be needed to implement a
23 process and schedule for ongoing legislative review of tax expenditures and provide for
24 effective evaluations.

25 The office may request information and assistance from the Department of
26 Administrative and Financial Services, Maine Revenue Services, the Department of
27 Economic and Community Development or other sources, as needed, to develop this
28 proposal; and be it further

29 **Sec. 2. Submission of proposal; legislation. Resolved:** That the office shall
30 submit the proposal developed under section 1 to the Government Oversight Committee
31 and the joint standing committee of the Legislature having jurisdiction over taxation
32 matters by March 1, 2015. The joint standing committee of the Legislature having
33 jurisdiction over taxation matters may submit legislation related to the proposal to the
34 First Regular Session of the 127th Legislature.'

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SUMMARY

This amendment replaces the bill with a resolve that directs the Office of Program Evaluation and Government Accountability to develop a proposal for implementation of a process for ongoing review of tax expenditures by the Legislature. The office is required to submit the proposal by March 1, 2015 to the Government Oversight Committee and the joint standing committee of the Legislature having jurisdiction over taxation matters. The joint standing committee may submit legislation related to the proposal to the First Regular Session of the 127th Legislature.

FISCAL NOTE REQUIRED

(See attached)



126th MAINE LEGISLATURE

LD 1463

LR 25(02)

An Act To Examine Best Practices Relating to Tax Expenditures

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-800)

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

Current biennium cost increase - General Fund

Fiscal Detail and Notes

The Office of Program Evaluation and Government Accountability will require the extension of a limited-period position at a cost of \$69,254 and an additional \$40,000 for outside consulting services to develop the process for the review of tax expenditures specified in this Resolve. The office has sufficient balances carried forward to fund the additional General Fund costs for the extension of the limited-period position and additional consulting services subject to approval by the Legislative Council. If the use of available balance forward is not approved by the Legislative Council, then a one-time General Fund appropriation of \$109,254 in fiscal year 2014-15 will be required.

Additional costs to the Departments of Economic and Community Development and Administrative and Financial Services associated with providing information and assistance can be absorbed within existing budgeted resources.