Information to Support 2021 Expedited Reviews of Maine State Tax Expenditures

"Exemptions for Inputs to Tangible Products, Conformity with Internal Revenue Code, and Non-Taxable Services"

Prepared by:
Office of Program Evaluation and Government Accountability

Submitted to:
Joint Standing Committee on Taxation and
Government Oversight Committee

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Overview and Purpose

The Office of Program Evaluation and Government Accountability (OPEGA) is required by statute (3 MRSA §1000(2)) to provide information to support expedited reviews of tax expenditures conducted by the Joint Standing Committee on Taxation (3 MRSA §1000(1)). As defined by 3 MRSA §992 and 5 MRSA §1666, "tax expenditures" means "those state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability."

The Taxation Committee is required by statute to conduct expedited reviews of tax expenditures, and associated tax policies, annually and to submit a report to the Legislature on the results of that year's review. The information OPEGA is required to provide to the Taxation Committee includes:

- a description of the tax policy under review;
- descriptions of each tax expenditure associated with that policy, including the mechanism through which it is distributed and its intended beneficiaries;
- the legislative history of each tax expenditure; and
- the fiscal impact of the tax policy and each related tax expenditure, including past and future impacts.

As required by 3 MRSA §998, the Legislature's Government Oversight Committee (GOC), in consultation with the Taxation Committee, has assigned each Maine State tax expenditure to one of three review categories: (a) full evaluation; (b) expedited review; (c) no review. Tax expenditures assigned to the expedited review category are those expenditures intended to implement broad tax policy goals that cannot be reasonably measured.[1]

Since 2016, OPEGA has prepared required information for the Taxation Committee's expedited reviews. The annual reviews are grouped into tax policy areas, or categories, in a 6-year cycle, as shown in Table 1. The information provided here for 2021 covers the final category of tax expenditures classified for expedited review.

Table 1: Supporting Information prepared by OPEGA for Expedited Reviews

Year	Tax Policy Area
2016	Necessity of Life Exemptions
2017	Tax Fairness Exemptions
2018	Specific Policy Goal/Mandate Exemptions, Charitable Exemptions (1st Half)
2019	Charitable Exemptions (2nd Half)
2020	Interstate and Foreign Commerce Exemptions
2021	Inputs to Tangible Products Exemptions, Conformity with Internal Revenue Code, Non-Taxable Services

[1] 3 MRSA §998(1)(B)

Policy Areas

There are 13 tax expenditures assigned for expedited review in 2021. These include exemptions from the sales and use tax and exemptions from income tax. These tax exemptions are classified in three policy areas, or categories, as follows:

- Inputs to Taxable Products
- Conformity with Internal Revenue Code; and
- Non-Taxable Services.

For descriptions of the tax policy areas (also referred to as "rationales") in he 2021 review cycle, we rely on the 2015 Proposal for Legislative Review of Maine State Tax Expenditures prepared by OPEGA (2015 Proposal). [2]

"Inputs to Tangible Products"

The 2015 Proposal describes the "Inputs to Tangible Products" policy area as:

> *Exempts from tax items that are a component part, or considered integral to, the production of a tangible product.*

There are eight tax expenditures classified in this policy area. Each of these provide exemptions from (or refund of) the sales and use tax for specified products, equipment or energy. In the Maine State Expenditure Report (MSTER) prepared by Maine Revenue Services (MRS), reasons cited for these exemptions relate to providing economic development incentives to relevant industries or manufacturers and to avoiding "pyramiding" of the sales and use tax. Tax pyramiding occurs when the same final good or service is taxed multiple times at various stages of the production process.

"Conformity with Internal Revenue Code"

The 2015 Proposal describes the "Conformity with IRC" policy area as:

> *Conforms with federal income tax law (Internal Revenue Code).*

Maine generally conforms to federal income tax law – Maine taxable income is based on federal adjusted gross income plus modifications. Conformity reduces filing errors, increases compliance, and keeps Maine taxes competitive with other states. In this document, these conformity provisions are all collapsed into one item labeled: "Sum of all Other Conformity Provisions."[3] As these expenditures relate to the structure of Maine's income tax being based on federal adjusted gross income, rather than a specific statutory provision that has changed over time, a legislative history is not included for this item.

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[2] "Proposal for Legislative Review of Maine State Tax Expenditures – Developed by the Office of Program Evaluation and Government Accountability Pursuant to Resolves 2013, Chapter 115", March 2, 2015: Table 1, p.2. (https://legislature.maine.gov/doc/578).

[3] In the Maine State Tax Expenditure Report (MSTER), MRS lists some of the conformity provisions as individual tax expenditures and the rest are included one item called "Federal Conformity: Other."

"Non-Taxable Services"

The 2015 Proposal describes the "Non-Taxable Services" policy area as:

> *Exempts services from taxation; Maine does not tax most services.*

Sales of services are not generally taxable in Maine. Non-taxable services are not enumerated as separate tax expenditures in statute; rather, the statute defines a limited number of services as taxable. Consistent with this, OPEGA presents non-taxable services as a single tax expenditure.[4] Similar to the "sum of all other conformity provisions" mentioned above, a legislative history is not provided for "non-taxable services" because this expenditure relates to the structure of Maine's sales and use tax, which generally does not apply to services.

Tax Expenditures Grouped by Category

Table 2 lists the 13 tax expenditures in the 2021 cohort grouped by category (policy area).

Table 2: 2021 Tax Expenditures Grouped by Category

Category	Expenditures
Inputs to Tangible Products	Products Used in Agricultural and Aquacultural Production, and Bait
	Seedlings for Commercial Forestry Use
	Fuel and Electricity Used at a Manufacturing Facility
	Certain Sales of Electrical Energy
	Machinery and Equipment
	Machinery and Equipment for Research
	Certain Depreciable Machinery and Equipment Purchases
	Property Used in Production
Conformity with Internal Revenue Code	Itemized Deductions
	Net Operating Loss Subtraction Modification & Global Intangible Low-Taxed Income Subtraction Modification[5]
	All Other Conformity Provisions
Non-Taxable Services	Non-Taxable Services

[4] We note that MRS includes separate entries for non-taxable services by service sector in the MSTER, based on data output from the sales tax microsimulation model used by MRS, which in turn is based on National Income and Products Accounts Table 2.4.5U published by the Bureau of Economic Analysis. Appendix A includes a table with fiscal estimates for non-taxable services by service sector from the MSTER.

[5] In March 2019, the GOC approved the addition of these two subtraction modifications to the list of tax expenditures classified for expedited review under the policy area "Conformity with the IRC." OPEGA identified that there are no fiscal estimates for these two subtraction modifications available in the MSTER.

Fiscal Impact Estimates

The fiscal impact estimates presented here come from the Maine State Tax Expenditure Report (MSTER) produced by Maine Revenue Services (MRS). The estimates represent estimated foregone State General Fund revenue due to the exemptions from sales and use tax and income tax. MRS is required by statute (36 MRSA §199-B) to prepare these estimates biennially, in odd-numbered years, based on the current tax law in effect at the time. MRS uses various methods to estimate the foregone General Fund revenue loss. The estimates reported here are taken from the MSTER 2022-2023 and the MSTER 2020-2021.[6] The information provided on individual tax expenditures, beginning on page 7, includes the MRS estimates of revenue loss by fiscal year (FY), as available, with notation of the estimation method used.

Table 3 below shows the estimated fiscal impact of the 13 tax expenditures in the 2021 cohort by category (policy area). Appendix A provides a further breakdown of fiscal impact estimates for expenditures within each category by year.

Table 3: Estimated Fiscal Impact of 2021 Cohort of Tax Expenditures by Category (Policy Area)

	FY18	FY19	FY20	FY21	FY22	FY23
Inputs to Tangible Products	$276,385,000	$291,055,000	$275,079,000	$274,415,000	$277,675,000	$284,275,000
Conformity with IRC	$739,105,000	$760,400,000	$820,715,000	$867,075,000	$917,455,000	$982,205,000
Non-Taxable Services	$2,130,005,000	$2,243,355,000	$2,060,995,000	$2,078,595,000	$2,135,395,000	$2,193,005,000
Totals	$3,145,495,000	$3,294,810,000	$3,156,739,000	$3,220,035,000	$3,330,475,000	$3,459,435,000

Source: Estimates for FY18 & FY19 are from the 2020-2021 MSTER while the estimates for FY20 through FY23 are from the 2022-2023 MSTER. Notes: Where ranges are reported, the average of the lower and upper end of the range is used.

[6] The most recent edition, MSTER 2022-2023, was published February 15, 2021; MSTER 2020-2021 was published February 15, 2019.

Information on Individual Tax Expenditures

On the following pages, OPEGA provides a series of tables summarizing the required information for each individual tax expenditure pursuant to 3 MRSA §1000(2). OPEGA gathered this information from the following sources:

- Relevant sections of Maine statute;
- Maine State Tax Expenditure Reports by MRS: MSTER 2020-2021and MSTER 2022-2023; and
- Maine Revenue Services (direct requests for tax expenditure information from MRS staff).

The legislative histories summarized in this report were prepared by OPEGA based on information compiled by the Law and Legislative Reference Library. The legislative histories presented here focus on statutory changes that effect the nature and scope of the relevant tax expenditure – non-substantive statutory changes are not included in these histories. For the description of intended beneficiaries, we note that none of the sources we reviewed directly identified intended beneficiaries for these exemptions. Consequently, OPEGA has described intended beneficiaries based on our understanding of the various exemptions. For instance, in the case of exemptions from sales taxes and excise taxes based upon sales, the beneficiary is typically the organization which makes the sale, since the exemption allows the product price to compare favorably to out of State alternatives.

OPEGA used MSTER 2022-2023 and MSTER 2020-2021 as the source of fiscal impact estimates presented for each tax expenditure.[7] These are "point in time" estimates based on the economic forecast and modeling, using the best information available at the time. The estimates are influenced by multiple factors, including but not limited to: anticipated tax rates, economic activity; policy changes; available data; and others.

[7] MRS uses several microsimulation models to forecast state revenues, to estimate the impact of proposed changes to state and local tax laws, and to develop a distributional analysis of Maine's state and local tax systems. The system of MRS tax models includes models for: sales and excise tax, individual income tax, corporate income tax, property tax, and multi-tax incidence.

Tax Expenditure	**Products Used in Agricultural and Aquacultural Production, and Bait**
Statutory reference	36 MRSA §1760(7)(A-C)
Distribution mechanism	Exempted from taxation at point of sale.
Brief description	Exemption from sales and use tax on products used in agricultural and aquacultural production, and bait to commercial fishermen.
Intended beneficiaries	Agricultural, aquacultural, and commercial fishing industries[8]

Estimated fiscal impact

FY18	$6,760,000	*Source:* 2020-2021 Maine State Tax Expenditure Report
FY19	$7,120,000	
FY20	$9,130,000	*Source:* 2022-2023 Maine State Tax Expenditure Report
FY21	$9,150,000	
FY22	$9,120,000	
FY23	$9,210,000	

Notes on estimated fiscal impact	Estimate based on 2017 Census of Agriculture and sales tax micro simulation model.

Legislative history

Public Law	Change
RS 1954, c. 17	As printed in 1954: Exempted sales and use tax in connection with sales of seed, feed and fertilizer used in agricultural production and sales of bait to commercial fishermen.[9]
PL 1957, c. 402	Expanded exemption to include pesticides, insecticides, fungicides, weed killers, defoliants, litter, and medicines used in agricultural production.
PL 1985, c. 460	Expanded exemption to include relevant antibiotics, defoliants and medicines used in aquacultural production.
PL 1997, c. 550	Clarified the definition of "agricultural production."
PL 2005, c. 12	Clarified that the exemption includes certain products sold in animal agricultural production; limits the exemption to products sold for agricultural commercial crop production.
PL 2009, c. 422	Extended the commercial agricultural exemption to include silviculture.
PL 2009, c. 632	Extended the animal agriculture exemption to include sales of antiseptics and cleaning agents used in commercial animal agricultural production.

[8] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

[9] OPEGA did not trace the legislative history to before 1954 – this can be completed on request.

<table>
<tr><td>Tax Expenditure</td><td colspan="3">Seedlings for Commercial Forestry Use</td></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §1760(73)</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Exempted from taxation at point of sale.</td></tr>
<tr><td>Brief description</td><td colspan="3">Exemption from sales tax of tree seedlings for use in commercial forestry.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Commercial forestry enterprises[10]</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$50,000 - $249,999</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$50,000 - $249,999</td></tr>
<tr><td>FY20</td><td>$50,000 - $249,999</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$50,000 - $249,999</td></tr>
<tr><td>FY22</td><td>$50,000 - $249,999</td></tr>
<tr><td>FY23</td><td>$50,000 - $249,999</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Revenue loss is estimated as a range of possible values because little or no data is available.</td></tr>
<tr><td rowspan="2">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>PL 1989, c. 871</td><td colspan="2">Enacted exemption from sales and use tax of sales of tree seedlings for use in commercial forestry.</td></tr>
</table>

[10] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

<table>
<tr><th>Tax Expenditure</th><th colspan="3">Fuel and Electricity Used at a Manufacturing Facility</th></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §1760(9)(D)</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Exempted from taxation at point of sale.</td></tr>
<tr><td>Brief description</td><td colspan="3">Exemption from the sales and use tax of 95% of the sale price of all fuel and electricity purchased for use at a manufacturing facility.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Manufacturers[11]</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$20,030,000</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$21,100,000</td></tr>
<tr><td>FY20</td><td>$15,104,000</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$16,360,000</td></tr>
<tr><td>FY22</td><td>$17,100,000</td></tr>
<tr><td>FY23</td><td>$18,050,000</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Data is collected from sales and use tax returns.</td></tr>
<tr><td rowspan="3">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>PL 1985, c. 767</td><td colspan="2">Enacted sales and use tax exemption on 95% of fuel and electricity purchased for use at a manufacturing facility, to be implemented in phases. Included a provision for the Committee of jurisdiction to review the effect annually and report to the Legislature.</td></tr>
<tr><td>PL 1999, c. 414</td><td colspan="2">Removed requirement for Committee of jurisdiction to review the effect and report to the Legislature. Defined "sale price" as any charge for electricity transmission and distribution.</td></tr>
</table>

[11] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

Tax Expenditure	Certain Sales of Electrical Energy		
Statutory reference	36 MRSA §1760(91)		
Distribution mechanism	Exempted from taxation at point of sale.		
Brief description	Exemption from sales and use tax of electrical energy or water stored for the purpose of generating electricity to or by a wholly owned subsidiary by or to its parent corporation.		
Intended beneficiaries	Parent company and subsidiaries[12]		
Estimated fiscal impact	FY18	$250,000 - $999,999	*Source:* 2020-2021 Maine State Tax Expenditure Report
	FY19	$250,000 - $999,999	
	FY20	$250,000 - $999,999	*Source:* 2022-2023 Maine State Tax Expenditure Report
	FY21	$250,000 - $999,999	
	FY22	$250,000 - $999,999	
	FY23	$250,000 - $999,999	
Notes on estimated fiscal impact	Revenue loss is estimated as a range of possible values because little or no data is available.		
Legislative history	Public Law	Change	
	PL 2007, c. 438	Enacted sales and use tax exemption for sale 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 when purchased for resale.	

[12] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

<table>
<tr><td>Tax Expenditure</td><td colspan="3">Machinery and Equipment</td></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §1760(31)</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Exempted from taxation at point of sale.</td></tr>
<tr><td>Brief description</td><td colspan="3">Exemption of sales tax of machinery and equipment used in production of tangible personal property intended to be sold or leased, or in generation of radio and television broadcast signals.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Manufacturers[13]</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$46,250,000</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$48,720,000</td></tr>
<tr><td>FY20</td><td>$33,950,000</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$33,690,000</td></tr>
<tr><td>FY22</td><td>$33,920,000</td></tr>
<tr><td>FY23</td><td>$34,590,000</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Estimate based on Bureau of Economic Analysis data on investment by detailed industry, national and state data on value added by industry, and national and state data on employment by industry.</td></tr>
<tr><td rowspan="6">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>PL 1973, c. 580
PL 1973, c. 794</td><td colspan="2">Enacted sales and use tax exemption for sales of new machinery and equipment for use directly and primarily in the production of tangible personal property that is intended to be sold or leased for final use.</td></tr>
<tr><td>PL 1985, c. 276</td><td colspan="2">Removed requirement that machinery and equipment to be new.</td></tr>
<tr><td>PL 1989, c. 501</td><td colspan="2">Extended (retroactively) the exemption to include machinery and equipment used in the production of tangible personal property pursuant to a contract with the United States Government.</td></tr>
<tr><td>PL 1999, c. 516</td><td colspan="2">Clarified that a manufacturer does not lose the exemption by entering into a sale and leaseback transaction with a bank, leasing company or other financial service provider; extended the exemption to the sale of the machinery or equipment to the bank or leasing company.</td></tr>
<tr><td>PL 2001, c. 709
PL 2001, c. 714</td><td colspan="2">Extended the exemption to machinery and equipment used in the generation of radio and television broadcast signals by regulated broadcast stations.</td></tr>
</table>

[13] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

Tax Expenditure	**Machinery and Equipment for Research**		
Statutory reference	36 MRSA §1760(32)		
Distribution mechanism	Exempted from taxation at point of sale.		
Brief description	Exemption from sales tax on purchases of machinery and equipment for certain research and development activities, and for biotechnology research.		
Intended beneficiaries	Businesses purchasing eligible machinery and equipment[14]		
Estimated fiscal impact	FY18	$50,000 - $249,999	*Source:* 2020-2021 Maine State Tax Expenditure Report
	FY19	$50,000 - $249,999	
	FY20	$50,000 - $249,999	*Source:* 2022-2023 Maine State Tax Expenditure Report
	FY21	$50,000 - $249,999	
	FY22	$50,000 - $249,999	
	FY23	$50,000 - $249,999	
Notes on estimated fiscal impact	Revenue loss is estimated as a range of possible values because little or no data is available.		
Legislative history	Public Law	Change	
	PL 1973, c. 580	Enacted sales and use tax exemption for new machinery and equipment for use exclusively in research and development, specified to be in the experimental and laboratory sense.	
	PL 1985, c. 276	Removed requirement that machinery and equipment be new.	
	PL 1997, c. 557	Extended the exemption to sales of machinery, equipment, instruments and supplies for use in biotechnology applications.	

[14] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

<table>
<tr><td>Tax Expenditure</td><td colspan="3">Certain Depreciable Machinery and Equipment Purchases</td></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §2013</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Exempted from taxation at point of sale and available by refund application.</td></tr>
<tr><td>Brief description</td><td colspan="3">Exemption from (or refund of) sales tax on depreciable machinery and equipment (including repair parts) for persons engaged in commercial farming, commercial fishing and aquaculture, and/or commercial wood harvesting and persons operating commercial nurseries and greenhouses. Also provides for the refund of sales tax paid on eligible purchases of electricity and fuel.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Commercial agriculture, aquaculture, fishing and wood harvesting businesses.[15]</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$16,680,000</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$17,560,000</td></tr>
<tr><td>FY20</td><td>$14,170,000</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$14,090,000</td></tr>
<tr><td>FY22</td><td>$15,010,000</td></tr>
<tr><td>FY23</td><td>$15,900,000</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Sales tax micro-simulation model and information from sales tax returns. Exemptions on file: 1,238 farmers; 2,236 commercial fishing; 419 wood harvesting.</td></tr>
<tr><td rowspan="11">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>PL 1977, c. 686</td><td colspan="2">Enacted a new refund of sales tax on depreciable machinery and equipment purchased for use in commercial agricultural production or commercial fishing.</td></tr>
<tr><td>PL 1979, c. 190</td><td colspan="2">Extended the sales tax exemption to the point of sale for a single item of machinery or equipment with a sales price in excess of $5,000 if the purchaser has the certification and the sales tax would have been refundable.</td></tr>
<tr><td>PL 1981, c. 364</td><td colspan="2">Extended the time to apply for a refund from 15 to 36 months from the date of purchase.</td></tr>
<tr><td>PL 1981, c. 680</td><td colspan="2">Amended the definition of "agricultural production."</td></tr>
<tr><td>PL 1985, c. 411</td><td colspan="2">Reduced the exemption at the point of sale for equipment from $5,000 to $1,000. Excluded motor vehicles as eligible equipment.</td></tr>
<tr><td>PL 1985, c. 447</td><td colspan="2">Exempted leased equipment from use tax.</td></tr>
<tr><td>PL 1989, c. 533</td><td colspan="2">Amended definitions.</td></tr>
<tr><td>PL 1989, c. 847</td><td colspan="2">Removed the $1,000 threshold for exemption at point of sale.</td></tr>
<tr><td>PL 1997, c. 514</td><td colspan="2">Extended definitions to include new or used machinery and equipment used to transport potatoes from a truck to a storage location.</td></tr>
<tr><td>PL 1999, c. 757</td><td colspan="2">Extended exemption or refund to electricity used in commercial agriculture, fishing or aquaculture.</td></tr>
</table>

	PL 2001, c. 396	Required claimed electricity to be used in qualifying activities.
	PL 2005, c. 519 PL 2005, c. 638	Adjusted definition of "commercial agricultural production".
	PL 2011, c. 380	Extended refund and exemption to purchases of fuel for use in a commercial fishing vessel.
	PL 2011, c. 657	Extended the refund to items used in commercial wood harvesting and adjusts definitions.
	PL 2015, c. 481	Extended refund and exemption to fuel used in commercial fishing, commercial agricultural production, aquacultural production and wood harvesting.
	PL 2019, c. 7	Extends definition of "depreciable machinery and equipment" to include machinery and equipment used in the production of maple syrup or honey.

[15] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

<table>
<tr><th>Tax Expenditure</th><th colspan="3">Property Used in Production</th></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §1760(74)</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Exempted from taxation at point of sale.</td></tr>
<tr><td>Brief description</td><td colspan="3">Exemption from sales tax of tangible personal property that becomes an ingredient or component part of tangible personal property produced for later sale or lease.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Not applicable[16]</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$185,740,000</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$195,630,000</td></tr>
<tr><td>FY20</td><td>$201,800,000</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$200,200,000</td></tr>
<tr><td>FY22</td><td>$201,600,000</td></tr>
<tr><td>FY23</td><td>$205,600,000</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Estimated using the sales tax micro-simulation model. This expenditure is not reliably estimated.</td></tr>
<tr><td rowspan="2">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>PL 1989, c. 871</td><td colspan="2">Enacted sales and use tax exemption for sales of tangible personal property (other than fuel or electricity) that become an ingredient or component part of or is consumed or destroyed in the production of tangible personal property for later sale or lease.</td></tr>
</table>

[16] These exemptions are intended to prevent pyramiding of the sales and use tax and cause the tax only to be applied once, at the point of purchase for consumption.

<table>
<tr><td>Tax Expenditure</td><td colspan="3">Itemized Deductions</td></tr>
<tr><td>Statutory reference</td><td colspan="3">36 MRSA §5125</td></tr>
<tr><td>Distribution mechanism</td><td colspan="3">Processed on income tax returns.</td></tr>
<tr><td>Brief description</td><td colspan="3">An individual who has claimed itemized deductions from federal adjusted gross income may claim itemized deductions from Maine adjusted gross income.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="3">Individual taxpayers (approximately 24,000 taxpayers).</td></tr>
<tr><td rowspan="6">Estimated fiscal impact</td><td>FY18</td><td>$11,600,000</td><td rowspan="2">Source: 2020-2021 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY19</td><td>$9,700,000</td></tr>
<tr><td>FY20</td><td>$9,300,000</td><td rowspan="4">Source: 2022-2023 Maine State Tax Expenditure Report</td></tr>
<tr><td>FY21</td><td>$9,150,000</td></tr>
<tr><td>FY22</td><td>$8,100,000</td></tr>
<tr><td>FY23</td><td>$8,250,000</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="3">Itemized deductions to Federal Adjusted Gross income are based on tax data and therefore should be reliability estimated for FY 2020.</td></tr>
<tr><td rowspan="10">Legislative history</td><td>Public Law</td><td colspan="2">Change</td></tr>
<tr><td>P&S 1969, c. 154</td><td colspan="2">Enacted a new part related to individual income tax, including deduction of federal itemized deductions when calculating State taxable income.</td></tr>
<tr><td>PL 1987, c. 819</td><td colspan="2">Amended itemized deduction to reduce its allowable amount by the amount of the applicable federal standard deduction.</td></tr>
<tr><td>PL 2003, c. 390</td><td colspan="2">Clarified references to federal adjusted gross income and federal taxable income for computing itemized deductions and enacted an add-back of the deduction for contributions to family development account reserve funds.</td></tr>
<tr><td>PL 2005, c. 12</td><td colspan="2">Provided for non-conformity with the federal option permitting deduction of sales and use taxes rather than income taxes.</td></tr>
<tr><td>PL 2007, c. 539</td><td colspan="2">Reduced the itemized deduction by the deduction claimed for mortgage insurance premiums. (PL 2009, c. 382 repealed this provision; however, PL 2009, c. 382 itself was repealed by people's veto on June 8, 2010. PL 2007, c. 539 was later repealed by PL 2011, c. 380.)</td></tr>
<tr><td>PL 2013, c. 368</td><td colspan="2">Enacted a limit to the total amount of itemized deductions from Maine adjusted gross income of $27,500.</td></tr>
<tr><td>PL 2013, c. 590</td><td colspan="2">Permitted claims more than the limitation on itemized deductions for charitable contributions (repealed by PL 2015, c. 267).</td></tr>
<tr><td>PL 2013, c. 595</td><td colspan="2">Permitted claims in excess of the limitation on itemized deductions for medical and dental expenses included in an individual's federal itemized deductions.</td></tr>
<tr><td>PL 2015, c. 340</td><td colspan="2">Reduced the federal itemized deductions included in the base for calculating the income tax credit for adult dependent care expenses (repealed by PL 2017, c. 211).</td></tr>
</table>

	PL 2015, c. 390	Increased the amount of total itemized deductions permitted.
	PL 2017, c. 474	Increased the itemized deduction by the amount of real and personal property taxes not claimed for federal income tax purposes as a result of the limitation. Increased the amount at which the itemized deduction phases out.

Tax Expenditure	Net Operating Loss Subtraction Modification	
Statutory reference	36 MRSA §5200-A(2)(GG)	
Distribution mechanism	Processed on income tax returns.	
Brief description	Decreases a taxpayer's taxable income by the amount of net operating loss carry-forward deduction disallowed by the federal Internal Revenue Code to the extent that (1) Maine taxable income is not reduced below zero, and (2) the amount has not been previously used as a modification	
Intended beneficiaries	Not applicable; not a deviation from normal tax law.	
Notes on estimated fiscal impact	Not included in MSTER because it is not a tax expenditure, it is a decoupling from the federal net operating loss limitation.	
Legislative history	Public Law	Change
	PL 2017, c. 474	Enacted a decrease to a taxpayer's taxable income by the net operating loss carry forward deduction disallowed by the federal Internal Revenue Code to the extent that (1) the Maine taxable income is not reduced below zero, and (2) the amount has not been previously used as a modification.
	PL 2021, c.1	Repealed modification.

<table>
<tr><th>Tax Expenditure</th><th colspan="2">Global Intangible Low-Taxed Income Subtraction Modification</th></tr>
<tr><td>Statutory reference</td><td colspan="2">36 MRSA §5200-A(2)(EE)</td></tr>
<tr><td>Distribution mechanism</td><td colspan="2">Processed on income tax returns.</td></tr>
<tr><td>Brief description</td><td colspan="2">Decreases a taxpayer's taxable income by 50% of the apportionable global intangible low-taxed income included in federal gross income.</td></tr>
<tr><td>Intended beneficiaries</td><td colspan="2">Not applicable; not a deviation from normal tax law.</td></tr>
<tr><td>Notes on estimated fiscal impact</td><td colspan="2">Not included in MSTER because it addresses constitutional concerns related to the taxation of this income.</td></tr>
<tr><td rowspan="2">Legislative history</td><td>Public Law</td><td>Change</td></tr>
<tr><td>PL 2017, c. 474</td><td>Enacted a decrease to a taxpayer's taxable income by 50% of the apportionable global intangible low-taxed income included in federal gross income.</td></tr>
</table>

Tax Expenditure	**All Other Conformity Provisions**		
Statutory reference	36 MRSA §5102(1-D) (definition of 'Laws of the United States') 36 MRSA §5162(2) (exemption of certain associations and trusts from taxation)		
Distribution mechanism	Processed on income tax returns.		
Brief description	Maine conforms to exclusions and deductions in the U.S. Internal Revenue Code used to calculate federal adjusted gross income.		
Intended beneficiaries	Taxpayers.		
Estimated fiscal impact	FY18	$727,505,000	*Source:* 2020-2021 Maine State Tax Expenditure Report
	FY19	$750,700,000	
	FY20	$811,415,000	*Source:* 2022-2023 Maine State Tax Expenditure Report
	FY21	$857,925,000	
	FY22	$909,355,000	
	FY23	$973,955,000	
Notes on estimated fiscal impact	See page 23 for a breakdown of estimates.		
Legislative history	A legislative history is not included for this entry because it relates to the structure of Maine's income tax being based on federal adjusted gross income, rather than a specific statutory provision that has changed over time.		

Tax Expenditure	**Non-Taxable Services**		
Statutory reference	36 MRSA §1752(11) 36 MRSA §1752(17-B)		
Distribution mechanism	Not subject to taxation.		
Brief description	Services that fall outside the statutory definition of "Taxable Services" and "Retail Sale" are not subject to Sales and Use Tax.		
Intended beneficiaries	Not applicable.		
Estimated fiscal impact	FY18	$2,130,005,000	*Source:* 2020-2021 Maine State Tax Expenditure Report
	FY19	$2,243,355,000	
	FY20	$2,060,995,000	*Source:* 2022-2023 Maine State Tax Expenditure Report
	FY21	$2,078,595,000	
	FY22	$2,135,395,000	
	FY23	$2,193,005,000	
Notes on estimated fiscal impact	Estimated using the sales tax micro-simulation model.		
Legislative history	A legislative history is not included for this entry because it relates to the structure of Maine's sales and use tax, which generally does not extend to services.		

Appendix A: Estimated Fiscal Impacts of "Exemptions for Inputs to Tangible Products," "Conformity with Internal Revenue Code," and "Non-Taxable Services" Tax Expenditures, FY18-FY23

Table A.1: Estimates of fiscal impacts for each tax expenditure included in this review cohort

Expenditure	Statute	FY18	FY19	FY20	FY21	FY22	FY23
Products Used in Agricultural and Aquacultural Production, and Bait	36 MRSA §1760(7-A-C)	$6,760,000	$7,120,000	$9,130,000	$9,150,000	$9,120,000	$9,210,000
Seedlings for Commercial Forestry Use	36 MRSA §1760(73)	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999
Fuel and Electricity Used at a Manufacturing Facility	36 MRSA §1760(9-D)	$20,030,000	$21,100,000	$15,104,000	$16,360,000	$17,100,000	$18,050,000
Certain Sales of Electrical Energy	36 MRSA §1760(91)	$250,000 - $999,999	$250,000 - $999,999	$250,000 - $999,999	$250,000 - $999,999	$250,000 - $999,999	$250,000 - $999,999
Machinery and Equipment	36 MRSA §1760(31)	$46,250,000	$48,720,000	$33,950,000	$33,690,000	$33,920,000	$34,590,000
Machinery and Equipment for Research	36 MRSA §1760(32)	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999	$50,000 - $249,999
Certain Depreciable Machinery and Equipment Purchases	36 MRSA §2013	$16,680,000	$17,560,000	$14,170,000	$14,090,000	$15,010,000	$15,900,000
Property Used in Production	36 MRSA §1760(74)	$185,740,000	$195,630,000	$201,800,000	$200,200,000	$201,600,000	$205,600,000
Itemized Deductions	36 MRSA §5125	$11,600,000	$9,700,000	$9,300,000	$9,150,000	$8,100,000	$8,250,000
Net Operating Loss Subtraction Modification & Global Intangible Low-Taxed Income Subtraction Modification	36 MRSA §5200-A(2)(GG) 36 MRSA §5200-A(2)(EE)	No estimates available	No estimates available	No estimates available	No estimates available	No estimates available	No estimates available
All Other Conformity Provisions*	36 MRSA §5102(1-D) 36 MRSA §5162(2)	$727,505,000	$750,700,000	$811,415,000	$857,925,000	$909,355,000	$973,955,000
Non-Taxable Services*	36 MRSA §1752(11) 36 MRSA §1752(17-B)	$2,130,005,000	$2,243,355,000	$2,060,995,000	$2,078,595,000	$2,135,395,000	$2,193,005,000
TOTAL		$3,145,494,999	$3,294,809,999	$3,156,788,999	$3,220,084,999	$3,330,524,999	$3,459,484,999

Source: Estimates for FY18 & FY19 are from the 2020-2021 MSTER while the estimates for FY20 through FY23 are from the 2022-2023 MSTER. For totals, where ranges are reported, the average of the lower and upper end of the range is used.
*See tables on following pages for breakdown of rolled together expenditures as listed in the MSTER.

Table A.2: Estimates for specific non-taxable services as listed in the MSTER, referencing 36 MRSA §1752(11)

Expenditure	FY18	FY19	FY20	FY21	FY22	FY23
Consumer Purchases of Medical Services	$589,760,000	$621,170,000	$558,900,000	$578,500,000	$595,800,000	$611,300,000
Consumer Purchases of Transportation Services	$38,190,000	$40,230,000	$34,700,000	$36,900,000	$37,800,000	$39,300,000
Consumer Purchases of Amusement and Recreational Services	$72,370,000	$76,220,000	$64,800,000	$67,100,000	$68,200,000	$69,300,000
Consumer Purchases of Financial Services	$195,620,000	$206,040,000	$195,400,000	$201,600,000	$205,800,000	$208,000,000
Consumer Purchases of Information Services Except Telecommunications	$21,800,000	$22,960,000	$21,000,000	$21,000,000	$21,600,000	$22,100,000
Consumer Purchases of Education Services	$77,320,000	$81,440,000	$73,000,000	$73,100,000	$75,200,000	$77,100,000
Consumer Purchases of Personal, Household and Business Services	$80,140,000	$84,410,000	$77,000,000	$77,200,000	$79,400,000	$81,400,000
Consumer Purchases of Social Services	$53,070,000	$55,900,000	$52,900,000	$53,000,000	$54,500,000	$55,900,000
Business Purchases of Transportation Services	$84,800,000	$89,310,000	$66,700,000	$66,100,000	$68,300,000	$68,800,000
Business Purchases of Information Services Except Telecommunications	$41,400,000	$43,610,000	$36,900,000	$36,200,000	$37,300,000	$38,700,000
Business Purchases of Financial Services	$231,600,000	$243,930,000	$273,100,000	$269,600,000	$274,700,000	$283,700,000
Business Purchases of Legal, Business, Administrative and Support Services	$535,180,000	$563,690,000	$496,700,000	$488,700,000	$504,500,000	$520,900,000
Business Purchases of Educational Services	$7,740,000	$8,150,000	$7,600,000	$7,600,000	$7,800,000	$7,900,000
Business Purchases of Medical Services	$13,690,000	$14,420,000	$13,600,000	$13,600,000	$14,000,000	$14,500,000
Business Purchases of Social Services	$260,000	$280,000	$270,000	$270,000	$270,000	$280,000
Business Purchases of Amusement and Recreational Services	$12,200,000	$12,850,000	$11,900,000	$11,600,000	$12,200,000	$12,700,000
Business Purchases of Repair, Maintenance and Personal Services, Excluding Construction Services	$29,410,000	$30,980,000	$30,400,000	$30,900,000	$31,900,000	$33,600,000
Business Purchases of Construction Services for Maintenance and Repair	$43,430,000	$45,740,000	$44,100,000	$43,600,000	$44,100,000	$45,500,000
Casual Sales	$1,000,000 – $2,999,999	$1,000,000 – $2,999,999	$1,000,000 – $2,999,999	$1,000,000 – $2,999,999	$1,000,000 – $2,999,999	$1,000,000 – $2,999,999
Sales by Executors	$0-49,999	$0-49,999	$0-49,999	$0-49,999	$0-49,999	$0-49,999
Total	**$2,130,005,000**	**$2,243,355,000**	**$2,060,995,000**	**$2,060,995,000**	**$2,078,595,000**	**$2,135,395,000**

Source: Estimates for FY18 & FY19 are from the 2020-2021 MSTER while the estimates for FY20 through FY23 are from the 2022-2023 MSTER. For totals, where ranges are reported, the average of the lower and upper end of the range is used.

Table A.3: Estimates for expenditures relating to conformity with IRC definition of Federal AGI as listed in the MSTER, referencing 36 MRSA §5102(1-D)						
Expenditure	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Moving Expenses Deduction	$630,000	$0 - $49,999	$10,000	$10,000	$10,000	$10,000
Pension Contributions – Individual Retirement Plans	$5,450,000	$5,800,000	$5,350,000	$5,500,000	$5,500,000	$5,750,000
Pension Contributions – Partners & Sole Proprietors – Self-employed, SEP, SIMPLE, and KEOGH Plans	$5,900,000	$6,200,000	$6,250,000	$6,450,000	$6,450,000	$6,700,000
Self-Employed Medical Insurance Premiums	$9,650,000	$10,200,000	$10,100,000	$10,300,000	$10,350,000	$10,900,000
Teacher Expense Deduction	$250,000	$250,000	$250,000	$250,000	$240,000	$240,000
Certain Interest Income Excluded from Federal Adjusted Gross Income	$10,050,000	$10,600,000	$10,100,000	$9,750,000	$9,350,000	$9,200,000
Section 179 Expensing	$6,800,000	$5,050,000	$3,100,000	$2,800,000	$2,450,000	$3,650,000
Deduction for dividends received by domestic corporations from certain foreign corporations	$500,000 - $2,000,000	$500,000 - $2,000,000	$500,000 - $2,000,000	$500,000 - $2,000,000	$500,000 - $2,000,000	$500,000 - $2,000,000
Deduction for foreign-derived intangible income	$0	$3 - $7m	$7,950,000	$8,760,000	$9,550,000	$10,500,000
Opportunity Zones	$0	$1,500,000 - $2,500,000	$1,500,000 - $2,500,000	$1,500,000 - $2,500,000	$1,500,000 - $2,500,000	$1,500,000 - $2,500,000
Pension Contributions & Earnings – Employer-Provided Pension Contributions and Earnings	$219,600,000	$217,100,000	$270,100,000	$303,800,000	$341,700,000	$387,100,000
Employer-Paid Medical Insurance and Expenses	$150,400,000	$168,900,000	$179,000,000	$187,700,000	$196,500,000	$205,500,000
Exclusion of Capital Gains at Death	$23,000,000	$24,200,000	$25,300,000	$25,300,000	$25,600,000	$26,600,000
Exclusion of Capital Gains on Sales of Principal Residences	$21,300,000	$22,100,000	$21,000,000	$22,700,000	$24,000,000	$25,500,000
Social Security and Railroad Retirement Benefits Untaxed at the Federal Level	$60,400,000	$58,800,000	$57,800,000	$59,300,000	$62,400,000	$66,700,000
Federal Conformity Other (National Defense and International Affairs; Energy; Natural Resources, Environment, Agriculture; Commerce, Education and Training; Employment; Employment; Health and Income Security; Misc)	$154,500,000 - $258,000,000	$154,500,000 - $258,000,000	$159,500,000 - $250,000,000	$159,500,000 - $250,000,000	$159,500,000 - $250,000,000	$159,500,000 - $250,000,000
Exclusion of Benefits Provided under Cafeteria Plans	$39,000,000	$41,300,000	Not in MSTER	Not in MSTER	Not in MSTER	Not in MSTER
Deduction for Exempt Associations, Trusts and Organizations	$0 - $49,999	$0 - $49,999	$0 - $10,000	$0 - $10,000	$0 - $10,000	$0 - $10,000
Health Savings Accounts	$2,000,000	$2,100,000	$2,300,000	$2,350,000	$2,350,000	$2,450,000
Deduction for Interest of Student Loans	$4,550,000	$4,850,000	$4,800,000	$4,950,000	$4,900,000	$5,150,000
Total	**$727,505,000**	**$750,700,000**	**$811,415,000**	**$857,925,000**	**$909,355,000**	**$973,955,000**
Source: Estimates for FY18 & FY19 are from the 2020-2021 MSTER while the estimates for FY20 through FY23 are from the 2022-2023 MSTER. For totals, where ranges are reported, the average of the lower and upper end of the range is used.						

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Appendix B: Selected Sections of Statute Relevant to Expedited Reviews of Tax Expenditures

3 MRS §998. Process for review of tax expenditures[17]

1. **Assignment of review categories.** By October 1, 2015, the committee, in consultation with the policy committee, shall assign each tax expenditure to one of the following review categories:
   A. Full evaluation 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 identified;
   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.** The committee, in consultation with the policy committee, shall establish a prioritized schedule of ongoing review of the tax expenditures assigned to the full evaluation and expedited review categories pursuant to subsection 1, paragraphs A and B. To the extent practicable, the committee shall group the review of tax expenditures with similar goals together.

3. **Annual review of assignments and schedule.** By October 1st of each year, beginning in 2016, the committee, in consultation with the policy committee, shall review and make any necessary adjustments to the review category assignments and schedule pursuant to subsections 1 and 2, including adjustments needed to incorporate tax expenditures enacted, amended or repealed during the preceding year.

4. **Office responsibilities.** The office shall maintain a current record of the review category assignments and the schedule under this section.

SECTION HISTORY
2015, c. 344, §4 (NEW). 2017, c. 266, §1 (AMD).

3 MRS §1000. Expedited review of tax expenditures

1. **Expedited review process.** Beginning July 1, 2016, the policy committee shall conduct expedited reviews of tax expenditures and the associated tax policies identified under section 998, subsection 1, paragraph B, in accordance with the schedule established in section 998, subsection 2.
   A. For each tax policy subject to review, the policy committee shall assess the continued relevance of, or need for adjustments to, the policy, considering:
      (1) The reasons the tax policy was adopted;
      (2) The extent to which the reasons for the adoption still remain or whether the tax policy should be reconsidered;
      (3) The extent to which the tax policy is consistent or inconsistent with other state goals; and
      (4) The fiscal impact of the tax policy, including past and estimated future impacts.

[17] In these sections of law, "the office" refers to OPEGA; "the committee" refers to the GOC; "the policy committee" refers to the Taxation Committee.

B. For each tax expenditure related to the tax policy under review, the policy committee shall assess the continued relevance of, or need for adjustments to, the expenditure, considering:

(1) The fiscal impact of the tax expenditure, including past and estimated future impacts;

(2) The administrative costs and burdens associated with the tax expenditure;

(3) The extent to which the tax expenditure is consistent with the broad tax policy and with the other tax expenditures established in connection with the policy;

(4) The extent to which the design of the tax expenditure is effective in accomplishing its tax policy purpose;

(5) The extent to which there are adequate mechanisms, including enforcement efforts, to ensure that only intended beneficiaries are receiving benefits and that beneficiaries are compliant with any requirements;

(6) The extent to which the reasons for establishing the tax expenditure remain or whether the need for it should be reconsidered; and

(7) Any other reasons to discontinue or amend the tax expenditure.

2. Action by the office. By July 1st in 2016 to 2018 and by December 15th of each year beginning in 2019 the office shall collect, prepare and submit to the policy committee the following information to support the expedited reviews under subsection 1:

A. A description of the tax policy under review;

B. Summary information on each tax expenditure associated with the tax policy under review, including:

(1) A description of the tax expenditure and the mechanism through which the tax benefit is distributed;

(2) The intended beneficiaries of the tax expenditure; and

(3) A legislative history of the tax expenditure; and

C. The fiscal impact of the tax policy and each related tax expenditure, including past and estimated future impacts.

3. Report by policy committee; legislation. By March 1st of each year, beginning in 2020, the policy committee shall submit to the Legislature a report on the results of the expedited reviews conducted pursuant to subsection 1 that year. The policy committee may submit a bill related to the report to the Legislature to implement the policy committee's recommendations.

SECTION HISTORY
2015, c. 344, §4 (NEW). 2019, c. 161, §2 (AMD).

Appendix C: History of Updates to Maine Revenue Service's Office of Tax Policy Microsimulation Model

The sales and excise tax model is one of several microsimulation models MRS uses to forecast state revenues, to estimate the impact of proposed changes to state and local tax laws, and to develop a distributional analysis of Maine's state and local tax systems. The complete system of tax models also includes models for individual income tax, corporate income tax, property tax, and multi-tax incidence. The models are developed by contractors selected by MRS through a competitive bid process.

MRS has had four sales and excise tax models since 1999 and has a goal of updating the model every five years. The details on models used to date are:

<u>Model I:</u> Contracted with KPMG, LLP in 1998. Models were completed by end of 1999 and used for fiscal note purposes beginning with the 2000 legislative session. The FY02/03 biennial budget was the first time the models were used for tax expenditure estimates (January 2001).

<u>Model II:</u> Contracted with Barents Group, LLC (at that time a subsidiary of KPMG) in 2002. Models were completed by the end of 2004 and used for fiscal note purposes beginning with the 2005 legislative session. The FY06/07 biennial budget was the first time the models were used for tax expenditure estimates (January 2005). Base year data in this model was for the year 2000. This model was used for fiscal estimates in the 2014-2015 Maine State Tax Expenditure Report.

<u>Model III:</u> Contracted with Chainbridge, LLC in 2011. Models were completed by the end of 2011 and used for fiscal note purposes beginning with the 2012 legislative session. The FY14/15 biennial budget was the first time the models were used for tax expenditure estimates (January 2013). Base year data in this model is for the year 2009. This model was used for fiscal estimates for Sales & Use Tax expenditures in the 2016-2017 Maine State Tax Expenditure Report.

<u>Model IV:</u> Contracted with Chainbridge, LLC in 2016. The sales tax model was completed by the fall of 2016 and used for fiscal note purposes beginning with the 2017 legislative session. The FY18/19 biennial budget was the first time the models were used for tax expenditure estimates (January 2017). Base year data in this model is from 2012 and 2014. The income tax model was used for fiscal note purposes beginning with the 2018 legislative session.