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MAINE STATE LEGISLATURE  
GOVERNMENT OVERSIGHT COMMITTEE

DATE: September 4, 2024

TO: Members, Government Oversight Committee of the 132nd Legislature

FROM: Senator Craig V. Hickman, Senate Chair

Handwritten signature of Senator Craig V. Hickman.

Representative Jessica F. Fay, House Chair

Handwritten signature of Representative Jessica F. Fay.

On behalf of the 131<sup>st</sup> Government Oversight Committee

On August 21, 2024, the Government Oversight Committee of the 131st Legislature heard a proposal from OPEGA related to Tax Expenditure Review. Public Law 2023, ch. 417 eliminated the Expedited Review process from statute, but retained the Expedited Review category for the purposes of categorizing tax incentives.

Although the Expedited Review process no longer exists, there continue to be tax expenditures categorized in the Expedited Review category. Future tax expenditures that are enacted or undergo a change in revenue loss estimates may also be moved into this category.

This Government Oversight Committee agreed with OPEGA's recommendation that the Expedited Category be removed from statute for the purposes of categorization, moving the incentives into the No Review category. The Committee voted unanimously to send a letter to the future 132nd GOC with our recommendation to pursue this change. Draft bill language to make this change is attached for your consideration.

If this change is made, the GOC can still direct OPEGA to conduct a review of a tax expenditure in the No Review category at any time. The No Review category denotes that the tax expenditures are not in line for any regular, scheduled review by OPEGA. Incentives in the No Review category are still tracked by OPEGA and would be raised to GOC attention should a revenue loss estimate increase to the point that a Full Review may be warranted.

**DRAFT BILL LANGUAGE**  
**An Act to Clarify the Tax Expenditure Review Process**

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

**Sec. 1. 3 MRSA §998, sub-§§ 1 and 2** are amended to read:

**§998. Process for review of tax expenditures**

**1. Assignment of review categories.** By October 1, ~~2015~~2025, 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; and [PL 2015, c. 344, §4 (NEW).]

~~B. Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured; and [PL 2015, c. 344, §4 (NEW).]~~

C. No review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured, with an impact on state revenue of less than \$50,000 or that otherwise do not warrant either a full evaluation or expedited review. [PL 2015, c. 344, §4 (NEW).]

**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~~ category 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. Beginning in 2024, when prioritizing ongoing review of tax expenditures assigned to the full evaluation category, the committee, in consultation with the policy committee, shall give priority to tax expenditures that are intended to provide an incentive to businesses over tax expenditures that are directed primarily toward individual tax relief and shall consider the impact of any statutory provisions regarding the expiration of a tax expenditure that may be the subject of legislation to extend the tax expenditure.

**SUMMARY**

This draft bill removes the expedited review category for tax expenditure reviews from statute and directs the Government Oversight Committee to classify the expenditures currently in this category and any future expenditures that would be in this category into the No Review category by October 1, 2025.