

# Overview of the Tax Expenditure Review Process

Presentation to the Government Oversight Committee of the 132<sup>nd</sup> Legislature

January 24, 2025

Maine Legislature Office of Program Evaluation and Government Accountability (OPEGA)

# Why Does Maine Have Tax Expenditure Reviews?

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## Facilitating Legislative Oversight

The tax expenditure review process was established in 2015 in response to legislator concerns that tax expenditures represented a large dollar amount but were not subject to the same budgetary process as other programs and concerns that reliable data about the efficacy of individual tax expenditures was not readily available.

## Maine Is a Leader

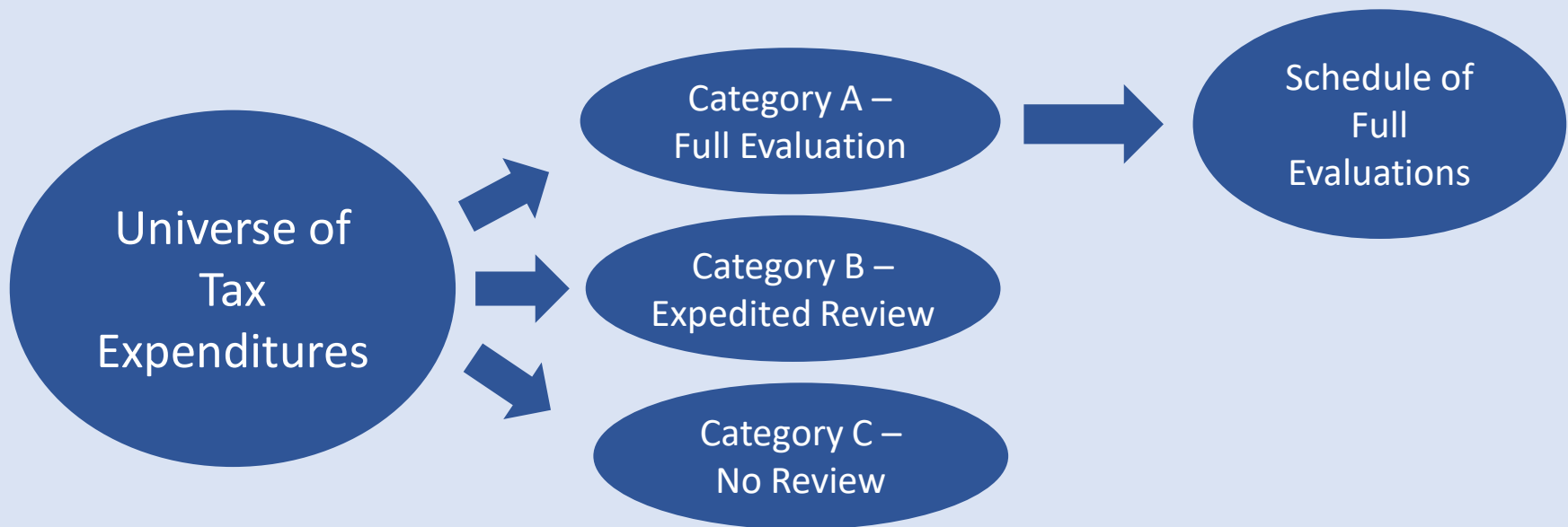
Maine has been highlighted as a leader for having a legislative tax expenditure review process with:

1. A well-designed plan to regularly evaluate tax incentives
2. Experience producing quality evaluations with rigorous analysis
3. A process for informing policy choices

## How are Tax Expenditures Selected for Review?

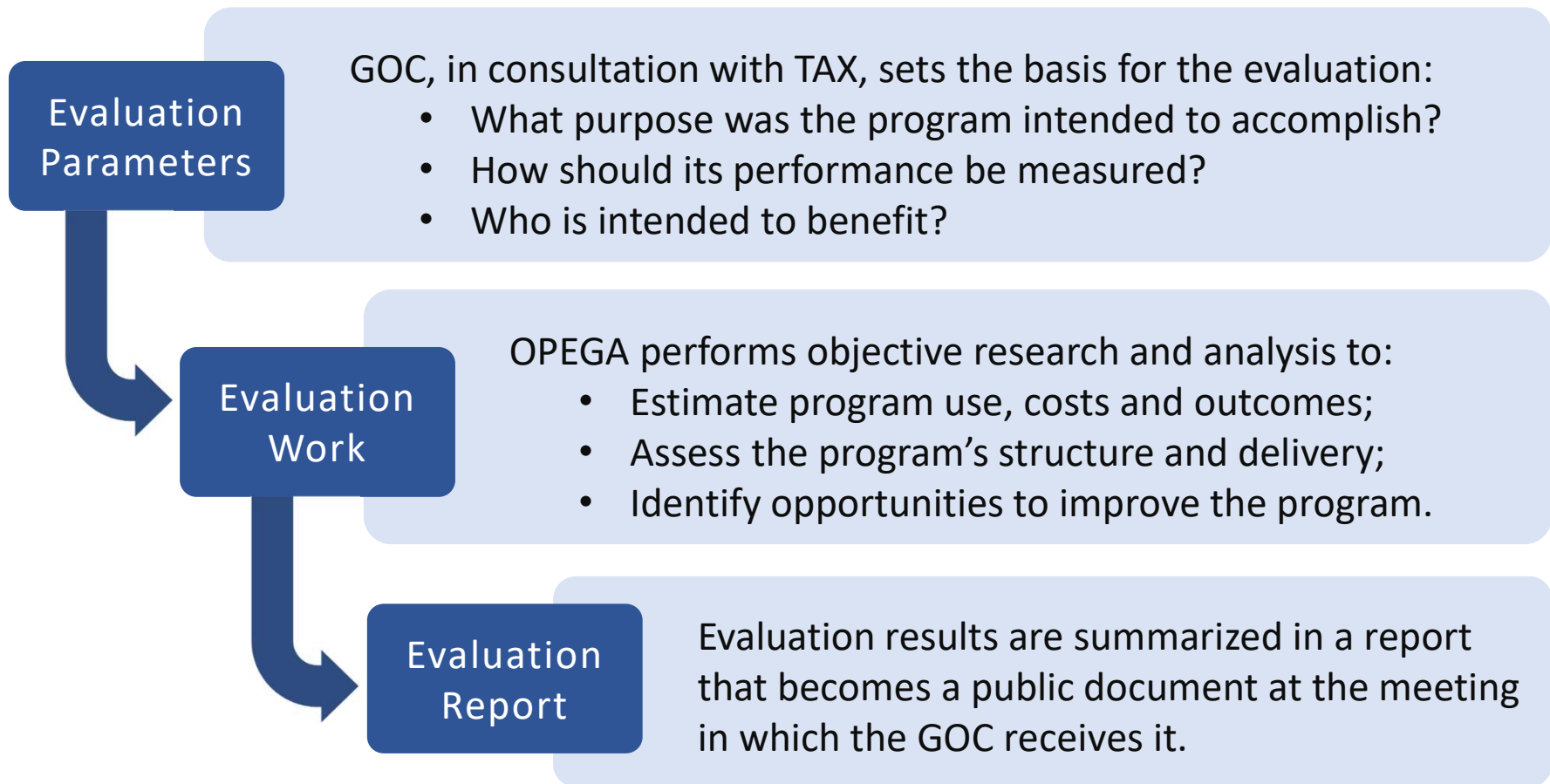
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The Government Oversight Committee, consulting with the Taxation Committee, categorizes and prioritizes tax expenditures for review



# What Goes into Full Evaluation of a Tax Expenditure?

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## How Do Evaluation Reports Support the Legislative Process?

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The Taxation Committee has used the reports in processing tax expenditure legislation. Examples from the most recent legislative session include:

### **Maine's Film Incentives –**

Replaced a bill to amend film incentives with a resolve directing DECD report back to the Committee by Dec 2024. DECD report is now available.

### **R&D Tax Credit –**

Eventually voted ONTP on legislation to increase the R&D Credit after a work session including Committee discussion of OPEGA's report on the credit.

# What's New and Upcoming in Tax Expenditure Evaluations?

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## Recent OPEGA Tax Expenditure Report Topics

- Paper Manufacturing Facility Investment Credit
- Shipbuilding Facility Investment Credit
- Visual Media Incentives (Film Incentives)
- Research Expense Tax Credit (R&D Credit)

## Evaluations In Progress Now

- Credit for Major Business HQs Expansion
- Credit for Major Food Processing & Manufacturing Facility Expansion

**Up Next:** Student Loan Repayment Tax Credit

OPEGA's non-partisan legislative staff are happy to provide briefings or answer questions about past tax expenditure evaluation reports or recommendations.

## How Is the Process Evolving?

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### Evaluation Parameters Are Improving

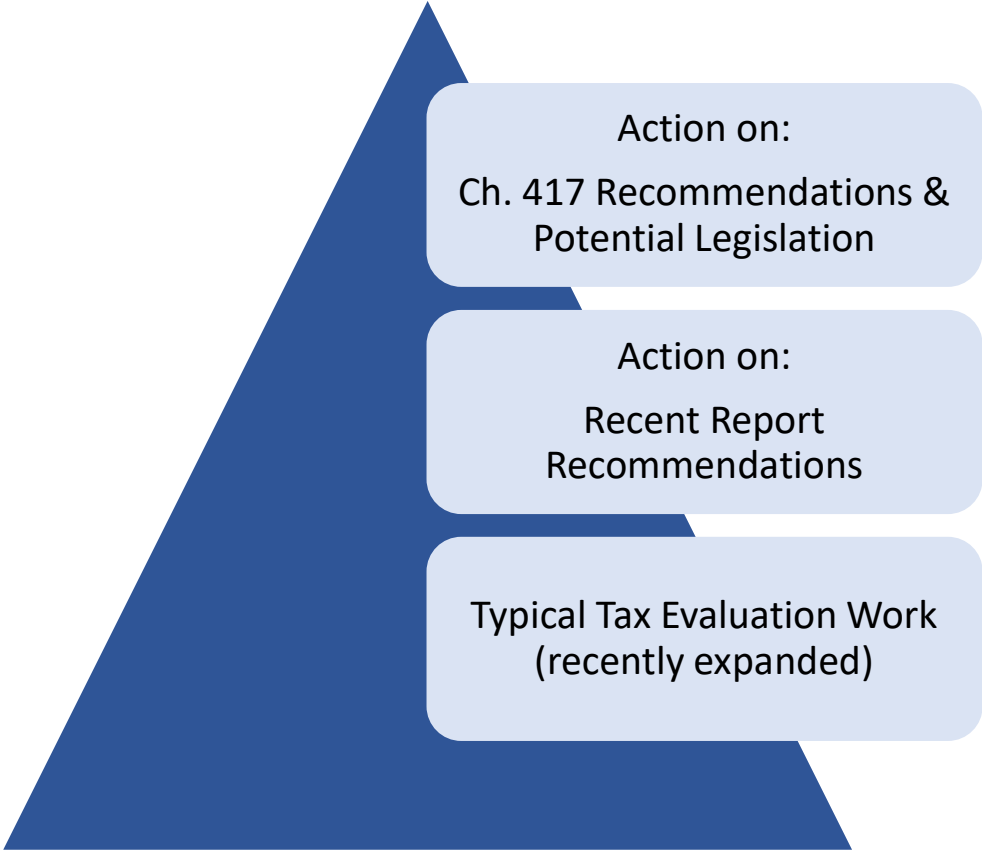
- ➔ Evaluation parameters were often absent in statute for older expenditures but are increasingly being included in newer legislation.
- ➔ 131<sup>st</sup> Legislature enacted a provision requiring Taxation Committee review of the adequacy of the evaluation parameters included in certain tax expenditure bills.

### New 30-Day Projects

- ➔ 131<sup>st</sup> Legislature expanded the tax expenditure review process to allow the TAX Committee to request up to 2 limited analysis projects be completed by OPEGA per session, subject to GOC approval.

## Pending Work for this Committee

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Action on:  
Ch. 417 Recommendations &  
Potential Legislation

Action on:  
Recent Report  
Recommendations

Typical Tax Evaluation Work  
(recently expanded)



Thank you.

We look forward to supporting your  
work this session.

Maine Legislature Office of Program Evaluation and Government Accountability (OPEGA)

<http://legislature.maine.gov/opega/>

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