Full Evaluation: Credit for Major Food Processing & Manufacturing Facilities Expansion Background and Proposed Evaluation Parameters

Background

Statutory Reference: 36 MRS §5219-VV
Enactment: 2019 (claimable starting tax year 2022)
Sunset: Qualified investments must be made by December 31, 2024
GF Revenue Loss Estimate: $1.5M FY24; $1.5M FY25
Administering Agency: Joint DECD and MRS
Taxpayers Impacted: 1 taxpayer

- This is a refundable income tax credit for construction or expansion of a food processing and manufacturing facility in Maine.

- Credit is first claimable in the tax year beginning January 2022.

- The credit must be claimed over a period of 20 years, with the annual credit amount equal to 1.8% of the qualified investment.

- Qualifying investments must be at least $35M to design, permit, construct, modify, equip or expand the applicant's facility in the State, and must be made between April 1, 2019 and December 31, 2024.

- Eligible businesses must meet additional requirements including:
    - headquarters in Maine at the time of application, and for each of the prior 5 years;
    - at least 40 full-time employees based in Maine by the start-up of the facility in which the qualified investment was made; and
    - at least 75% of employees with income which exceeds the most recent annual per capita personal income in the county in which the facility is located.

- Businesses must meet employment and business income targets for each year the credit is claimed.

- The aggregate credit for each certificate may not exceed $30.6M. Qualifying investment is capped at $85M per certificate and $100M for all certificates.

Proposed Evaluation Parameters

To guide each full tax expenditure evaluation, 3 MRS §999 requires that the Government Oversight Committee approve:

(1) the purpose, intents or goals of the tax expenditure;
(2) the intended beneficiaries of the tax expenditure;
(3) the evaluation objectives; and
(4) performance measures appropriate for analyzing the evaluation objectives.

The following table includes OPEGA's proposal, relative to these four statutory evaluation parameters, for the Government Oversight Committee's consideration.

Purposes, Intents or Goals (36 MRS §5219-VV(7))
1. To create high-quality jobs in the State by encouraging major businesses to locate or expand their food processing and manufacturing facilities in this State and to encourage the recruitment and training of employees for these facilities; and 2. To directly and indirectly improve the overall economy of the State including the agricultural economy, small businesses, employment in rural areas and expansion of the tax base.
Intended Beneficiaries (derived from statutory purposes)
Directly: major businesses locating or expanding their food processing and manufacturing facilities in Maine Indirectly: job seekers; and citizens and taxpayers of Maine
Evaluation Objectives (3 MRS §999)
1. The fiscal impact of the tax expenditure, including past and estimated future impacts; 2. The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; 3. The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits; 4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; 5. The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states; 6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; 7. The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative; 8. The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and 9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.
Performance Measures (36 MRS §5219-VV(7))
1. The number, geographic distribution and income of full-time employees added or retained during a period being reviewed who would not have been added or retained in the absence of the credit; 2. The number and amount of qualified investments made by certified applicants during the review period; 3. The increase in value in agricultural products produced in the State; and 4. Direct and indirect economic benefits to the State attributable to qualified investments entitled to a credit under this section.