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State of Maine
 ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE
 COMMITTEE ON TAXATION

Meeting Summary – August 15, 2011

The Joint Standing Committee on Taxation held its first interim meeting on August 15, 2011. Introductions were followed by presentations from Michael Allen of Maine Revenue Services (MRS) on tax incidence and Beth Ashcroft of the Office of Program Evaluation (OPEGA) and Governmental Accountability on tax expenditures.

Highlights of presentation related to Maine tax incidence study

- Presentation provided analysis for 2009 and projections for 2013 based on current law enacted through the 1st Regular Session of the 125th Legislature.
- Covered issues related to trends from 1996-2009, the volatility of Maine's tax system, progressiveness, tax mix, and estimates of the tax burden for Maine residents, nonresidents and business.
- Detail on sales and use tax, excise taxes, individual income taxes and property taxes provided.
- Information on effective tax rate and suits index analysis included in study.
- A state comparison of number services taxed by category provided separately.

Highlights related to tax expenditure presentation

- Presentation focused on recommendations made in the OPEGA report and in the DECD evaluation; provided a review of the history of this work.
- Request for Director Ashcroft to work with the Taxation Committee on developing a process or check list to evaluate proposed tax exemptions or credits and a process for review of existing tax expenditures.
- The report by Department of Administrative and Financial Services dated 11/2/2010 recommends an evaluation process and 11 Maine tax expenditures programs for review.
- The Taxation Committee worked on these issues during past Legislatures; in November 2009, the Committee identified 10 tax expenditures for review based on the OPEGA report.
- In July 2011, the Government Oversight Committee (GOC) requested that Director Ashcroft draft some legislation as a follow up to the tax expenditure work for action by GOC.

Highlights of Committee discussion

- Discussion related to process: keep partisanship/politics out, bring in experts, have public input, possible subcommittees, facebook/comment page, use in-house experts, Blue Ribbon Commission (high-level people respected in Maine who can get buy-in), develop principles/mission statement or goals, press releases, BRAC-style commission.
- Discussion related to goals: more stability/less volatility, simplicity, fairness, fewer tax expenditures, review taxation of pensions, fairness on business equipment tax exemption– old vs. new, role for State in property tax reform.

Information requested or possible research in future

- Comparison of other states meals and lodging tax rates (may be difficult due to differences in methods states use to levy these type of taxes)
- States rank of effective tax rates (Maine 43rd? FTA survey??)
- Maine's gasoline tax rate ranking after repeal of indexing goes into effect in 2012?
- Tax rate compared to other states when income threshold is taken into consideration
- Regulatory Reform Commission recommendations -analyst has information
- Brookings report
- Saxl Report (distributed at meeting)

Wrap up/next steps

The result of the first meeting is a scope of work that includes a short-term process goal focusing on tax expenditures and a long-term restructuring goal that focuses on broader tax policy.

At the next meeting Committee members will define principles for long-term policy goals and discuss options for public input, expert testimony or possible legislation to create a “blue ribbon” commission. The Committee agreed to submit ideas for a mission statement to the analyst. The analyst will ask the Office of Program Evaluation and Government Accountability to explore the level of support they may be able to offer in developing a process for evaluating tax expenditures based on recommendation in existing reports. The Committee will also further identify the work needed on the 12 carryover bills.

There was discussion of the need to request additional meeting dates due to the heavy workload. However, the chairs decided to wait until the Committee has held more meetings before making this request.

NEXT MEETING – September 7, 2011 – 10:00 a.m. to 3:00 p.m.

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