Evaluation Parameters:
Deductions for interest and dividends on Maine state and local securities

Approved by the GOC on 1.9.2026

Purposes, Intent or Goals

Derived by OPEGA from analysis of related federal examples, Wolters Kluwer's State Tax Handbook, discussion with the State Treasurer's Office, and Red Book descriptions.

1. To reduce the cost of state and local borrowing for bonds that are not tax exempt federally.[1]

Intended Beneficiaries

Derived by OPEGA from background research and Red Book description.

1. Direct recipients: those investing in non-taxable bonds;
2. Direct beneficiaries: state and local governments and authorities issuing these bonds; and
3. Indirect beneficiaries: citizens and taxpayers of Maine through provision of what is provided through bonding.

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

Derived by OPEGA from background research.

1. Descriptive information on taxpayers reporting these exemptions on their Maine taxes including breakdown by income bracket, corporate vs. individual taxpayers, and in-state vs. out-of-state taxpayers.
2. Average deduction per taxpayer reporting these modifications.
3. Descriptive information on the effect on the cost of borrowing for state and local projects that are not otherwise eligible for federally exempt bonds.
4. Descriptive information on projects financed through the issue of bonds that are state-exempt but not federally-exempt.

[1] The benefits of non-taxable bonds are generally seen as going to the borrower, in this case state and local governments. In a Congressional Budget Office and Joint Committee on Taxation Study from 2009, the impact is explained this way "Tax-exempt bonds reduce the issuer's borrowing costs because purchasers of such debt are willing to accept a lower rate of interest than that of taxable debt of comparable risk and maturity." However, this understanding is based on the federal tax exemption, which may be more financially impactful than sole state taxation exemptions. The level of impact on the rate of borrowing for these exemptions is an open question for this review. See "Subsidizing Infrastructure Investment with Tax-Preferred Bonds." *A Joint CBO/JCT Study*. October 2009: viii. https://www.jct.gov/publications/2009/a-joint-cbo-jct-study%E2%80%94subsidizing-infrastructure-investment-with-tax-preferred-bonds/