

Tax Expenditure Review Task Force
Monday, November 4, 2013

Office of Program Evaluation and Government Accountability
Listing of Programs Based on Categories Task Force Selected to Review at Its 10-21-13 Meeting

Description of Workbook Contents

"Sales & Use - Undetermined" contains expenditures from the sales and use tax expenditure category that OPEGA is unable to determine a tax policy rationale for and may potentially fall within one of the categories of interest.

"Income - Business Related Incentives" contains expenditures from the income tax expenditure category that benefit business.

"Sales & Use - Business Related" contains expenditures from the sales and use tax expenditure category that benefit business.

"Income Conformity" contains the one expenditure - Itemized Deductions - that the Task Force had previously expressed interest in discussing.

"Sales & Use - Service Provision" contains expenditures from the sales and used tax expenditure category that have a rationale of service provision.

Sources of Data and Information Contained in the Spreadsheets/Tabs

This workbook is the third OPEGA has produced for the Tax Expenditure Review Task Force and contains subsets of expenditures and related information drawn from the first master workbook, "Tax Expenditure Table Spreadsheet" found at http://www.maine.gov/legis/ofpr/studies_commissions/TERTF-Materials.htm. These workbooks were developed based on information provided by Maine Revenue Services and then augmented with further information found in statute, the "Red Book," and the "1997 Report." The "Red Book" referenced in the column headings on each spreadsheet is the Maine State Tax Expenditure Report 2014-2015. The "1997 Report" referenced in the Sales & Use spreadsheet is the 1997 Report to Taxation Committee on Sales Tax Expenditures. An N/A indicates that information was not readily available from one of these sources.

Some of the columns contain interpretive analysis and category assignments as determined by OPEGA based on information in statute or the referenced reports. All columns are marked as such.

There is one coded column - Fiscal Amount Coded - that is the estimated spread in revenue loss and is the same as what is represented in the "Red Book." Data definitions are provided below.

| Fiscal Amount Coded | |
|---------------------|-------------------------|
| A | \$0-\$49,999 |
| B | \$50,000-\$249,999 |
| C | \$250,000-\$999,000 |
| D | \$1,000,000-\$2,999,999 |
| E | \$3,000,000-\$5,999,999 |
| F | \$6,000,000 or more |

| Sales & Use - Undetermined | | | | | | |
|----------------------------|--|---|------------------------------------|---|---|-----------------------------------|
| Page in Red Book | Expenditure Program Name | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Reason for Exemption (Red Book) | Reason for Exemption (1997 Report) | Rationale (1997 Report) |
| 156 | Sales of Property Delivered Outside this State | F | F | The goods are being shipped to a location outside this State | N/A | N/A |
| 122 | Certain Property Purchased Out of State | D | D | Exempt property that was purchased and used out-of-state before it was brought into this State | Allows "new" Maine residents to move into the state without incurring a use tax liability on their existing possessions. | Administrative Burden |
| 107 | Water Pollution Control Facilities | C | C | Subsidize the installation of pollution control facilities | Recognizes (1) that the State should not profit through sales taxes from state imposed environmental policy mandates; and (2) exemption provides incentives to business to add these facilities faster than they otherwise might. | Economic Development |
| 108 | Air Pollution Control Facilities | C | C | Subsidize the installation of pollution control facilities | Recognizes (1) that the State should not profit through sales taxes from state imposed environmental policy mandates; and (2) exemption provides incentives to business to add these facilities faster than they otherwise might. | Economic Development |
| 157 | Sales of Certain Printed Materials | C | C | The advertising or promotional materials are being transported outside of this State for use by the purchaser solely outside of this State | N/A | N/A |
| 166 | Certain Sales of Electrical Energy | C | C | The transactions are between a parent corporation and its wholly owned subsidiary | N/A | N/A |
| 101 | Certain Vehicles Purchased or Leased by Qualifying Resident Businesses | \$897,251 | C | The vehicles are being purchased or leased by qualifying resident businesses for use outside of this State | N/A | N/A |
| 98 | Certain Loaner Vehicles | \$241,956 | B | Certain motor vehicle dealers are providing the short-term use of loaner vehicles free of charge to certain service customers pursuant to a manufacturer's warranty | N/A | N/A |
| 154 | Electricity Used for Net Billing | A | A | No money is paid to the electricity provider or to the transmission and distribution utility | N/A | N/A |
| 155 | Animal Waste Storage Facility | A | A | Subsidize the construction of these facilities through an exemption from the sales tax | N/A | N/A |
| 164 | Sales of Tangible Personal Property to Qualified Wind Power Generators | A | A | Subsidizes the generation of electricity by community wind power generators | N/A | N/A |
| 167 | Certain Vehicle Rentals | A | A | The rental fee is included in the warranty | N/A | N/A |
| 176 | Fish Passage Facilities | A | A | Provides an incentive for the installation of fish passage facilities | Provides incentives to comply with state policy to ensure fish passage facilities are included in new, reconstructed or redeveloped dams. | Economic Development / Government |
| 177 | Reimbursement of Tax to Certain Qualified Wind Power Generators | A | A | Subsidizes the generation of electricity by community wind power generators | N/A | N/A |
| 168 | Plastic Bags Sold to Redemption Centers | \$29,813 | A | Provide funding to organizations through an exemption from the sales tax | N/A | N/A |

| Income - Business Related Incentives | | | | | | | | | |
|--------------------------------------|--|------------------------|-----------------------------|---|------------------------------------|---|---|-----------------------------|--|
| Page in Red Book | Expenditure Program Name | Year Enacted (Statute) | Expenditure Type (Red Book) | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Beneficiary Size (Red Book) | Reason(s) for Exemption (Red Book) | Individual vs. Corporations | Specific Sub-population? |
| 50 | Employment Tax Increment Financing, including certain Job Increment Financing Programs | 1995 | Reimbursement | \$10,599,000 | F | Approximately 105 | Provides incentives for businesses to hire new employees with a designated level of wages, health and retirement benefits | Corporations | N/A |
| 40 | Credit for Rehabilitation of Historic Properties | 1999 | Credit | \$7,900,000 | F | Approximately 125 | Designed to enlist private funds for the rehabilitation of historic properties | Both | Investors in the rehabilitation of Historic Properties |
| 46 | New Markets Capital Investment Credit | 2011 | Credit | \$5,600,000 | E | N/A | Encourage new investment in economically distressed areas of the State | Corporations | Investors in Economically Depressed Areas of the State |
| 31 | Credit for Educational Opportunity | 2007 | Credit | \$5,210,000 | E | Approximately 575 (estimated to rise in future years) | Provides an incentive to grads of Maine colleges and universities to stay in Maine after graduation and for employers to hire Maine college grads | Both | Graduates of Maine Colleges / Universities & Employers who Hire Them |
| 36 | Super Credit for Substantially Increased Research & Development | 1997 | Credit | \$4,000,000 | E | Approximately 85 | Provides an incentive for businesses to substantially increase investment in research and development in Maine | Corporations | Research & Development |
| 42 | Pine Tree Development Zone Tax Credit | 2003 | Credit | \$3,300,000 | E | Approximately 70 | Provides an incentive for economic development in Maine | Corporations | Businesses in Pine Tree Development Zones |
| 8 | Deduction for Affordable Housing | 2007 | Deduction | D | D | Fewer than 20 | Exemption is granted to claimants to encourage the preservation of affordable housing; it is expected to expand access to housing for young professional and families | Individuals (Residents) | Individuals who reside in certified multifamily affordable housing |
| 52 | Shipbuilding Facility Credit | 1997 | Credit | \$2,968,750 | D | Fewer than 5 | Encourages major investment in shipbuilding projects in Maine | Corporations | Ship-building |
| 11 | Deduction for Premiums Paid for Long-Term Health Care Insurance | 2003 | Deduction | \$2,001,000 | D | Approximately 15,000 | Provides an incentive for taxpayers to save towards extraordinary medical expenses | Individuals (Residents) | N/A |
| 26 | Seed Capital Investment Tax Credit | 1987 | Credit | \$1,500,000 | D | Approximately 250 | Provides an incentive for investment in small businesses in Maine | Corporations | N/A |
| 37 | High-Technology Investment Tax Credit | 1997 | Credit | \$1,000,000 | D | Approximately 60 | Provides an incentive for businesses to invest in equipment that is used in high-technology business activity | Corporations | High-Technology |
| 25 | Jobs and Investment Tax Credit | 1977 | Credit | C | C | Fewer than 10 | Provides an incentive to businesses to make substantial capital investments in the state | Corporations | Large Business (over \$5M investment or 100 jobs) |
| 41 | Earned Income Credit | 1999 | Credit | \$937,000 | C | Estimated 18,000 | Creates incentive for individuals to enter the workforce. It raises the after-tax income of lower and moderate income families, especially those with dependents | Individuals | N/A |
| 35 | Research Expense Tax Credit | 1995 | Credit | \$850,000 | C | Approximately 85 | Provides an incentive to encourage Maine businesses to invest in research and development in Maine | Corporations | Research & Development |
| 23 | Deduction for Interest and Dividends on U.S., Maine State and Local Securities | 2001 | Deduction | \$320,000 | C | Approximately 250 | Provides an incentive for corporations to invest in federal, Maine state and local obligations | Corporations | N/A |
| 47 | Credit for Wellness Programs | 2011 | Credit | \$318,000 | C | N/A | Encourage small employers to establish a wellness program | Corporations | Small Businesses (< 20 employees) |
| 15 | Deduction For Contributions To IRC 529 Qualified Tuition Plans | 2007 | Deduction | \$257,000 | C | Approximately 4,200 | Provides an incentive for Maine taxpayers to save towards future educational expenses for family members | Individuals (Residents) | N/A |
| 44 | Tax Benefits for Media Production Companies | 2005 | Reimbursement & Credit | B | B | Approximately 10 | Provides an incentive for media production activity in the state | Corporations | Media Production Companies |
| 45 | Dental Care Access Credit | 2009 | Credit | \$162,000 | B | Approximately 20 | Provides an incentive for dentists to locate their practice in underserved areas of the state | Corporations | Dentists |
| 48 | Maine fishery infrastructure investment tax credit | 2011 | Credit | \$135,000 | B | N/A | Encourage investment in and contributions to infrastructure improvements and facilities that enhance the State's fisheries | Both | Fishing |
| 13 | Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax | 2001 | Deduction | \$120,000 | B | Approximately 3,400 | Provides an incentive for investment in Maine state and local bonds | Individuals (Residents) | Investors in State & Local Securities |

| Income - Business Related Incentives | | | | | | | | | |
|--------------------------------------|--|------------------------|-----------------------------|---|------------------------------------|-----------------------------|--|-----------------------------|------------------------------|
| Page in Red Book | Expenditure Program Name | Year Enacted (Statute) | Expenditure Type (Red Book) | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Beneficiary Size (Red Book) | Reason(s) for Exemption (Red Book) | Individual vs. Corporations | Specific Sub-population? |
| 34 | Forest Management Planning Income Credits | 1989 | Credit | \$70,000 | B | Approximately 320 | Provides an incentive to practice good forest mgmt. by allowing a credit for all or a portion of the cost of the program | Both | Forest Mgmt. Planning Costs |
| 43 | Biofuel Commercial Production and Commercial Use | 2003 | Credit | A | A | Fewer than 5 | Provides an incentive for the production of biofuels in the state | Corporations | Biofuel |
| 27 | Credit for Contributions to Family Development Account Reserve Funds | 1999 | Credit | A | A | Fewer than 10 | Provides an incentive for savings by low income households | Individuals | Low-income Households |
| 38 | Credit for Dependent Health Benefits Paid | 1997 | Credit | A | A | Fewer than 5 | Provides an incentive for small employers to provide health insurance coverage to low-income employees | Corporations | Small Businesses |
| 28 | Credit for Employer-Assisted Day Care | 1987 | Credit | A | A | Fewer than 30 | Provides an incentive for employers to become more involved in the provision of day care for their employees | Corporations | N/A |
| 30 | Credit for Employer-Provided Long-Term Care Benefits | 1999 | Credit | A | A | Fewer than 5 | provides an incentive to employers to provide their employers with long-term care benefits | Corporations | N/A |
| 10 | Deduction for Contributions to Capital Construction Funds | 1997 | Deduction | A | A | Fewer than 1,000 | An incentive for taxpayers involved in fishing operations for future maintenance or replacements of fishing vessels | Individuals (Residents) | Fishing |
| 16 | Deduction for Dentists with Military Pensions | 2011 | Deduction | A | A | Fewer than 50 | Provides an incentive for certain retired dentists to reestablish their dental practice | Individuals (Residents) | Dentists w Military Pensions |
| 39 | Quality Child Care Investment Credit | 1999 | Credit | A | A | Approximately 10 | Provides an incentive for the provision of quality child care services in Maine | Corporations | Child Care Providers |
| 49 | Innovation Finance Credit | 2009 | Credit | * | | N/A | Encourages MainePERS to invest in innovative businesses | Corporations | Innovative Businesses |

| Sales & Use - Business Related | | | | | | | |
|--------------------------------|--|---|------------------------------------|--|--|-------------------------------------|-------------------------------------|
| Page in Red Book | Expenditure Program Name | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Reason for Exemption (Red Book) | Reason for Exemption (1997 Report) | Rationale (1997 Report) | Rationale Category (OPEGA Analysis) |
| 149 | Property Used in Manufacturing Production | \$103,770,590 | F | Avoid pyramiding of the sales tax | Enables Maine business to compete. Very few (if any) states tax this type of transaction because good tax policy prohibits taxing at this level. Taxing these sales would only add to the cost of the final product, thereby increasing the sales tax due (i.e. a tax on a tax). | Pyramiding / Interstate Competition | Interstate Competition |
| 86 | Fuel and Electricity Used in Manufacturing | \$25,699,424 | F | Provide an economic development incentive to manufacturer by subsidizing their purchases of fuel and electricity used at manufacturing facilities | Recognizes electricity is a critical component of the manufacturing process and taxing it would only add to the cost of the final product thereby increasing the sales tax due (i.e. a tax on a tax). Many states exempt some or all of the sale of electricity. | Economic Development / pyramiding | Economic Development |
| 109 | Machinery & Equipment | \$22,778,910 | F | Provide an economic development incentive to manufacturer by subsidizing their purchases of machinery and equipment used at manufacturing facilities | Recognizes that machinery and equipment used in manufacturing is just as valuable as components themselves and the exemption enables Maine business to compete. | Economic Development / Pyramiding | Economic Development |
| 117 | Mobile & Modular Homes | \$18,271,911 | F | Necessity of Life | Allows mobile home builders to compete with on-site home builders on a level playing field. | Necessity / Industry Competition | Industry Competition |
| 81 | Certain Jet Fuel | \$3,207,848 | E | Fuel is subject to an excise tax when used for domestic flights | If this fuel is taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business. | Business / Interstate Competition | Interstate Competition |
| 118 | Property Used in Interstate Commerce | D | D | Interstate Commerce | If these items are taxed in Maine, purchasers will simply buy and register their vehicles elsewhere, thereby having a negative impact on Maine business. Enables Maine truckers to compete. | Interstate Competition | Interstate Competition |
| 80 | Products Used in Agricultural and Aquacultural Production & Bait | \$2,926,000 | D | Provide funding to the agricultural, aquacultural and commercial fishing industries through a sales tax exemption | Recognizes that agriculture and aquaculture are just as important to Maine as manufacturing and good tax policy prohibits taxing the basic components used in these industries. | Industry Competition / Pyramiding | Industry Competition |
| 174 | Refund of Sales Tax on Certain Depreciable Machinery and Equipment | \$2,849,532 | D | Provides financial support to commercial agriculture, aquaculture, fishing and wood harvesting | Treats the purchase of certain machinery and equipment used in agriculture and aquaculture similar to the purchase of machinery and equipment by manufacturers. Enables Maine people engaged in farming and fishing to compete with those from other states. | Interstate Competition | Interstate Competition |
| 160 | Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes | C | C | Economic Development (in certain regions in the State) | N/A | N/A | Economic Development |
| 161 | Sales of Tangible Personal Property to Qualified Development Zone Businesses | C | C | Economic Development (in certain regions in the State) | N/A | N/A | Economic Development |
| 70 | Ships Stores | C | C | The ships are engaged in interstate and / or foreign commerce | If these items are taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business. | Business / Interstate Competition | Interstate Competition |
| 100 | Certain Vehicles Purchased or Leased by Nonresidents | C | C | The vehicles are being purchased or leased by nonresidents | If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business. | Interstate Competition | Interstate Competition |
| 103 | Watercraft Purchased by Nonresidents | C | C | Economic Development | If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business. | Interstate Competition | Interstate Competition |
| 162 | Sales of Certain Aircraft | \$904,177 | C | Most of these aircraft are in this State for short periods of time | N/A | N/A | Interstate Competition |
| 163 | Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts | \$617,942 | C | Provides an incentive for the purchase, repair and overhaul or rebuilding of aircraft in the State | N/A | N/A | Economic Development |
| 129 | Railroad Track Materials | \$361,000 | C | Subsidizes the purchase of track materials | Enables railroads to compete with publicly subsidized trucking industry and encourages improvements in track roadbed. | Interstate Competition | Interstate Competition |
| 110 | New Machinery for Experimental Research | B | B | Provide an economic development incentive by subsidizing the purchase of these goods | Treats machinery and equipment used for research as necessary for the research itself. | Educational | Economic Development |
| 104 | Snowmobiles & All-terrain Vehicles Purchased by Nonresidents | B | B | Economic Development | If these items are taxed in Maine, purchasers from other locations, especially New Hampshire, will simply buy elsewhere, thereby having a negative impact on a Maine business. | Interstate Competition | Interstate Competition |
| 165 | Sales of Certain Qualified Snowmobile Trail Grooming Equipment | \$81,236 | B | Subsidizes the repair and maintenance of snowmobile trails | N/A | N/A | Economic Development |

Sales & Use - Business Related

| Page in Red Book | Expenditure Program Name | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Reason for Exemption (Red Book) | Reason for Exemption (1997 Report) | Rationale (1997 Report) | Rationale Category (OPEGA Analysis) |
|------------------|--|---|------------------------------------|--|--|---|-------------------------------------|
| 178 | Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers | \$79,800 | B | Provides financial support to the businesses that sell cruises on windjammers | N/A | N/A | Economic Development |
| 153 | Sales of Certain Farm Animal Bedding & Hay | A | A | Provide support to farmers by subsidizing the purchase of these items through an exemption from the sales tax | N/A | N/A | Economic Development |
| 158 | Sales to Centers for Innovation | A | A | | N/A | N/A | Economic Development |
| 83 | Fuel Oil for Burning Blueberry Land | A | A | Provide support for the blueberry industry | Recognizes that this is an important component in production of this major crop | Industry Competition / Pyramiding | Industry Competition |
| 146 | Sales to State-Chartered Credit Unions | A | A | Provide state chartered credit unions with the same sales tax exemption that federal chartered credit unions have by federal law | Allows state chartered credit unions to compete on a level playing field with federally chartered credits unions. | Increasing Competition / Industry Competition | Industry Competition |
| 151 | Certain Aircraft Parts | A | A | Economic Development | If these items are taxed in Maine, purchasers will simply buy elsewhere, thereby having a negative impact on a Maine business. | Economic Development / Interstate Competition | Interstate Competition |
| 173 | Refund of Sales Tax on Goods Removed from the State | A | A | The goods are being used outside of the State | Enables business to compete in very specific instances where an item in inventory becomes taxable when removed from inventory but should be exempt when removed from the state. If these items were taxed in Maine, purchasers or users would simply conduct their business elsewhere, thereby having a negative impact on the Maine business. | Interstate Competition | Interstate Competition |

Income - Conformity

| Page in Red Book | Expenditure Program Name | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded | Reason(s) for Exemption (Red Book) |
|------------------|--------------------------|---|------------------------------------|--|
| 18 | Itemized Deductions | \$140,094,000 | F | Generally provides conformity to federal individual tax law. |

Sales & Use - Service Provision

| Page in Red Book | Expenditure Program Name | FY'15 Estimated Revenue Loss (Red Book) | FY'15 Estimated Revenue Loss Coded |
|------------------|--|---|------------------------------------|
| 183 | Health Services | \$349,904,000 | F |
| 186 | Finance, Insurance & Real Estate Services | \$337,022,000 | F |
| 187 | Professional, Scientific, and Technical Services | \$114,541,500 | F |
| 191 | Construction Services | \$102,125,000 | F |
| 185 | Social, Religious, Welfare, Membership and Other Organization Services | \$86,478,500 | F |
| 188 | Administrative and Support Services | \$72,456,500 | F |
| 184 | Educational Services | \$58,254,000 | F |
| 190 | Transportation and Warehousing Services | \$54,872,000 | F |
| 192 | Management of Companies and Enterprises Services | \$51,594,500 | F |
| 195 | Repair, Maintenance and Other Labor Service Fees | \$45,657,000 | F |
| 189 | Information Services | \$25,412,500 | F |
| 182 | Amusement & Recreational Services | \$24,757,000 | F |
| 181 | Business and Legal Services Purchased by Consumers | \$21,679,000 | F |
| 179 | Barber Shop, Beauty Pallor and Health Club Services | \$6,146,500 | F |
| 180 | Cleaning, Storage and Repair of Clothing and Shoes | \$2,774,000 | D |