

**Information to Support 2017 Expedited Reviews
of Maine State Tax Expenditures**

“Tax Fairness” Tax Expenditures

Prepared by

**the Office of Program Evaluation and Government Accountability
Pursuant to Title 3 Section 1000 sub-section 2**

Submitted to

**Joint Standing Committee on Taxation
and
Government Oversight Committee**

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¹ In prior tax expenditure lists this was referred to as the “Deduction for Dividends Received from Nonunitary Affiliates.” MRS suggested the “Deduction for Dividends from Affiliates not included in Combined Return” is more accurate because affiliates can be unitary or nonunitary.

Overview

The Office of Program Evaluation and Government Accountability (OPEGA) is tasked by 3 MRSA § 1000 sub-§ 2 with providing information to support the Legislature's Joint Standing Committee on Taxation in carrying out expedited reviews of certain Maine State tax expenditures². The information OPEGA is required to provide includes:

- a description of the tax policy under review;
- descriptions of each tax expenditure associated with that policy, including the mechanism through which it is distributed and its intended beneficiaries;
- the legislative history of each tax expenditure; and
- the fiscal impact of the tax policy and each related tax expenditure, including past and future impacts.

As required by 3 MRSA § 998, the Legislature's Government Oversight Committee (GOC), in consultation with the Taxation Committee, previously assigned each Maine State tax expenditure to one of three review categories: (a) full evaluation; (b) expedited review; (c) no review. Tax expenditures selected by the Committees for expedited review are those intended to implement broad tax policy goals that cannot be reasonably measured.³ The 14 tax expenditures selected by the Committees for expedited review in 2017 include sales and use tax exemptions, income tax credits and deductions, gasoline tax and special fuel tax refunds, and a real estate tax exemption under the tax policy area generally described as "Tax Fairness."

OPEGA added the "Deduction for Social Security Benefits Taxable at Federal Level" to this year's list after discussions with staff for the Taxation Committee and after determining that this expenditure more appropriately meets the criteria for the "Tax Fairness" policy area than its prior category of "Tax Relief." According to the 2018-2019 Maine State Tax Expenditure Report issued in 2017, federal taxation of social security and railroad retirement benefits provides funds to the Social Security Trust Fund. Since the State does not have this need, these benefits are excluded from Maine taxable income. Also, by operation of federal law, states are prohibited from taxing benefits issued by the Railroad Retirement Board, including retirement, sick and unemployment benefits.

The "Tax Fairness" group of 15 tax expenditures includes eight sales and use tax exemptions; four income tax credits or deductions; two excise tax refunds; and a real estate tax exemption. They are:

1. Exemption for Certain Loaner Vehicles (Sales & Use Tax)
2. Exemption for Certain Property Purchased Out of State (Sales & Use Tax)
3. Exemption for Certain Returnable Containers (Sales & Use Tax)
4. Exemption for Meals & Lodging Provided to Employees (Sales & Use Tax)
5. Exemption for Mobile & Modular Homes (Sales & Use Tax)
6. Exemption for Motor Vehicle Fuel (Sales & Use Tax)

² As defined by 3 MRSA § 992 and 5 MRSA § 1666, "tax expenditures" means "those state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability."

³ 3 MRSA § 998 sub-§ 1, paragraph B.

7. Exemption for Packaging Materials (Sales & Use Tax)
8. Exemption for Trade-In Credits (Sales & Use Tax)
9. Credit for Income Tax Paid to Other Jurisdiction (Income Tax)
10. Deduction for Active Duty Military Pay Earned Outside of Maine (Income Tax)
11. Deduction for Dividends from Affiliates not included in Combined Return⁴ (Income Tax)
12. Deduction for Social Security Benefits Taxable at Federal Level (Income Tax)
13. Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies (Excise Tax)
14. Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Companies (Excise Tax)
15. Exemptions of the Real Estate Transfer Tax (Real Estate Transfer Tax)

“Tax Fairness” Policy Area: Definition

OPEGA’s 2015 Proposal for Legislative Review of Maine State Tax Expenditures defined expenditures in the “Tax Fairness” policy area as any expenditure which:

Prevents double taxation or pyramiding (taxing on taxes); provides similar tax treatment of similar transactions/taxpayer situations; or addresses public perception that it would not be fair to tax the item/transaction.

OPEGA found that the federal Internal Revenue Service (IRS) frames its definition of “Tax Fairness” based on two concepts: benefits received and ability to pay. According to the IRS:

Benefits received means that people should pay taxes in proportion to the benefits they receive from government goods and services. Ability to pay means that people's taxes should be in proportion to their resources. People's resources differ because they have different amounts of:

- *wealth (assets and property such as houses, cars, stocks, bonds, and savings accounts), or*
- *income (wages, interest and dividends, profits, or other payments).⁵*

OPEGA observes that many Maine State tax expenditures could fall within the Tax Fairness policy area as described by the IRS. Consequently, we suggest the Taxation Committee use OPEGA’s narrower definition in its review of the tax expenditures included in this report.

Tax Expenditures Required by Federal Law

Two expenditures in the expedited review group this year are no longer included in Maine Revenue Services’ (MRS) biennial Maine State Tax Expenditure Report because these tax expenditures, or some variation of

⁴ In prior tax expenditure lists this was referred to as the “Deduction for Dividends Received from Nonunitary Affiliates.” MRS suggested the “Deduction for Dividends from Affiliates Not Included in Combined Return” is more accurate because affiliates can be unitary or nonunitary.

⁵ <https://apps.irs.gov/app/understandingTaxes>

them, are required by federal law.⁶ Consequently, the Committees may want to consider removing these two expenditures from the expedited review cycle in future years.

The “Deduction for Dividends from Affiliates Not Included in Combined Return” has not been included in MRS’ biennial report since 2013. MRS explained that the State can choose the manner – such as by the dividends deduction at issue – for providing any tax relief required under federal law, with respect to businesses taxed on overseas income. The “Credit for Income Tax Paid to Other Jurisdiction” has not been included in MRS’ biennial report since 2015. According to MRS, a recent Supreme Court decision, *Comptroller of the Treasury of Maryland v. Wynne*⁷, found it was unconstitutional for states to fail to provide a tax adjustment to taxpayers with respect to income also taxed by other states.

Fiscal Impact Estimates

The fiscal impact estimates presented in this report represent estimated foregone revenue for the State. MRS is required to prepare these estimates biennially based on current tax law in effect at the time of the estimate. MRS estimates foregone revenue for the tax expenditures using various methods. The estimates are presented in the Maine State Tax Expenditure Reports as estimated General Fund, Highway Fund, and HOME Fund⁸ revenue loss.

The individual tax expenditure descriptions beginning on page 6 include MRS’ estimates of revenue loss by year with notation of the estimating method used and any additional context.

Table 1 shows the total estimated fiscal impact for 13 of the 15 tax expenditures as reported by MRS. Appendix B shows the breakdown of impact for these individual expenditures by year. As discussed above, MRS stopped reporting estimated revenue loss for two expenditures during the time period covered by Table 1. Since fiscal impact estimates were not available for all years, OPEGA has excluded these two expenditures from Table 1 and Appendix B to provide for more meaningful comparison of totals year to year.

| Year | MRS Estimated Revenue Loss |
|-------------|-----------------------------------|
| FY13 | \$237,168,685 |
| FY14 | \$289,437,224 |
| FY15 | \$295,093,933 |
| FY16 | \$275,211,414 |
| FY17 | \$278,166,897 |
| FY18 | \$288,880,496 |
| FY19 | \$300,017,998 |

Source: Estimates for FY13 were published in the 2014-2015 Maine State Tax Expenditure Report. Estimates for FY14-FY15 were published in the 2016-2017 Maine State Tax Expenditure Report. Estimates for FY16-FY19 were published in the 2018-2019 Maine State Tax Expenditure Report.

*Does not include estimates for “Credit for Income Tax Paid to Other Jurisdiction” and “Deduction for Dividends from Affiliates Not Included in Combined Return.”

⁶ These two expenditures were included in the biennial Maine State Tax Expenditure report issued in 2013. That report was used as the basis for establishing the population of tax expenditures that would be subject to the legislative review process set forth in 3 MRSA § 998. The Maine State Tax Expenditure Report issued in 2017 states: “The credits for income tax paid to another jurisdiction by an estate or trust and by an individual have been removed because of considerations of U.S. Constitution provisions bearing on state taxation. The deduction for dividends received from nonunitary affiliates was removed, beginning with the 2015 report, because of similar constitutional considerations.”

⁷ https://www.supremecourt.gov/opinions/14pdf/13-485_o7jp.pdf

⁸ The Housing Opportunities for Maine (HOME) Fund was established by the Legislature in 1983 under 30-A MRSA Subchapter 7 to provide funding for affordable housing. The Real Estate Transfer Tax (see page 24) is the funding source for HOME.

There are substantial changes in the fiscal estimates for some tax expenditures over time, as follows:

Packaging Materials. The estimated fiscal impact of this expenditure has more than tripled from FY13-FY19, from approximately \$10 million to almost \$33 million. MRS explained this was due to changes in its sales and use tax microsimulation model⁹, and also due to the inclusion of different types of packaging material in the estimates from year to year. There were no statutory changes during this period. MRS could not provide further details on the changes in the types of packaging materials included.

Deduction for Active Duty Military Pay Earned Outside of Maine. There is some variation in the fiscal impact estimate for this expenditure, which increased from under \$1 million in FY14 to almost \$2 million in FY15 and in subsequent years decreases to \$1 million. MRS told OPEGA the FY14 and FY15 estimates were from the original fiscal note of the bill that established this deduction. Beginning in FY16, data was extrapolated from tax returns. MRS said if the estimate for FY15 was revised based on actual data the number would be significantly lower.

Fuel & Gasoline Taxes. There was some fluctuation over time in the fiscal impact estimates for “Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies” and “Motor Vehicle Fuel.” MRS told OPEGA the forecasted values are generally a reflection of refund activity over the past two or three years adjusted for any known anomalies. Actual refunds can fluctuate with changes in fuel prices or other economic factors, but year-to-year fluctuations may simply be timing or other random occurrences such as an unusually large refund.

Maine State Taxes on Fuel and Gasoline

Motor vehicle fuel sold in Maine is subject to Sales & Use Tax unless exempted (page 12). One of the exemptions is for fuels that are subject to the Gasoline Tax or Special Fuel Tax, which are excise taxes. The Gasoline Tax is applicable to all internal combustion engine fuel commonly known as gasoline (36 MRSA § 2903). Special Fuel Tax is applicable to distillates and low-energy fuel, including diesel, propane, natural gas, methanol, hydrogen, and ethanol (36 MRSA § 3203). Exempting motor vehicle fuels that are subject to Gasoline Tax or Special Fuel Tax from the Sales & Use Tax prevents double taxation.

The Gasoline and Special Fuel Taxes also have exemptions for fuel used in certain off-highway vehicles or by certain bus companies. These exemptions are described on pages 20 and 22 of this report. Beneficiaries get the exemptions by submitting applications for refunds of taxes paid at point of sale.¹⁰ Fuel exempted for off-highway use is, however, subject to Sales & Use Tax which is subtracted from the refund before it is paid, unless an applicable sales tax exemption exists.

Two other exemptions to the Gasoline Tax are not included in this report. Gasoline tax paid for fuel used in certain aircraft is also refundable under 36 MRSA § 2910. This tax expenditure is not included in this report because it has an estimated fiscal impact of under \$50,000. State and local governments are exempt on bulk purchases of gasoline products from the Gasoline Tax under 36 MRSA § 2903 sub-§ 4, paragraph C. State and local governments are similarly exempt on bulk purchases under the Special Fuel Tax Law, 36 MRSA § 3204-A sub-§ 3. These expenditures are slated for expedited review under the Charitable group of tax expenditures.

⁹ See Appendix C for information on MRS’ microsimulation models.

¹⁰ Dyed diesel is exempt from excise tax at the point of sale. Sales tax is paid at the time of purchase.

Information on Individual Tax Expenditures

The remainder of this report contains a series of tables summarizing the information OPEGA is required to provide under 3 MRSA § 1000 for each individual “Tax Fairness” tax expenditure. OPEGA gathered much of this information from the following sources:

- Sections of Maine statute pertaining to each exemption;
- MRS’ Maine State Tax Expenditure Reports for 2018-2019, 2016-2017 and 2014-2015; and
- MRS tax bulletins.

In addition, the legislative history summarized in this report was prepared by OPEGA in consultation with OFPR based on details researched and provided to OPEGA by the Law and Legislative Reference Library.

None of the sources we reviewed directly identified intended beneficiaries for these exemptions, so OPEGA has defined these based on our understanding of the expenditures.

MRS’ biennial reports are the source of the fiscal impact estimates OPEGA has included in this report for Fiscal Years (FY) 2013 through 2019. The FY13 estimates were published in the 2014-2015 Maine State Tax Expenditure Report. The estimates for FY14 and FY15 were published in the 2016-2017 Maine State Tax Expenditure Report. The estimates for FY16-FY19 were published in the 2018-2019 Maine State Tax Expenditure Report.

MRS told OPEGA they do not use these estimates to look at trends; rather, the numbers are “point in time” based on the economic forecast using the best information available at the time. Estimates are influenced by the anticipated tax rates; economic activity; policy changes; available data; and other factors. This makes it challenging to discern any trends or policy impacts over time using the revenue loss estimates published in the Maine State Tax Expenditures Reports. Consequently, MRS is unable to determine the amount of impact from each of these factors in a given year. They may adjust an estimate based on their assessment of the anticipated impact of certain changes, but that may be one of many factors that contribute to an estimate in a given year.

MRS has undertaken an effort to determine the total amount claimed for some expenditures on individual and corporate income tax returns in order to obtain more accurate data. However, MRS explained that this information is not always captured on tax returns in a way that is easily translated into estimates. There is a limit on the number of lines that can be included on a tax return, and the need for this information must be balanced against other needs, including the cost of changing the forms. This effort is time intensive for MRS to carry out within its current system.

Neither OPEGA nor MRS was able to identify any existing data that could be used to assess how closely MRS’ estimates reflected actual forgone revenue, or that would better illustrate trends in fiscal impact. It was beyond the scope and resources of our current project for OPEGA to delve any more deeply into the methods used to calculate individual tax expenditures or more fully research other potential data sources. If the Legislature is interested in understanding fiscal impact trends and/or actual impacts from policy changes on “Tax Fairness” tax expenditures, we suggest the Joint Standing Committee on Taxation confer with MRS and OFPR on options for obtaining such analyses in the future.

| Tax Expenditure | Exemption for Certain Loaner Vehicles | | |
|---|---|--|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 21-A | | |
| Distribution mechanism | Exemption at point of use. | | |
| Brief description | Tax exemption for use of a loaner vehicle provided by a new vehicle dealer to a service customer pursuant to a manufacturer’s or dealer’s warranty. | | |
| Intended beneficiaries | Service customers using loaner vehicles provided by new vehicle dealers. | | |
| Estimated fiscal impact | FY13 | \$232,560 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$253,816 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$266,151 | |
| | FY16 | \$280,047 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$285,647 | |
| | FY18 | \$291,361 | |
| | FY19 | \$297,188 | |
| Notes on estimated fiscal impact | MRS originally based estimates on net assessments and recent sales tax audits related to new car dealers prior to the enactment of the law. Current estimates were based on the original calculation, but with additional increases to come to the best estimate. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 2007, ch. 410 | Enacted a Sales and Use tax exemption for the use of a loaner vehicle by a service customer of a new car dealer pursuant to a manufacturer’s or dealer’s warranty. | |

| Tax Expenditure | Exemption for Certain Property Purchased Out of State | | |
|---|--|--|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 45 | | |
| Distribution mechanism | Exemption at the time of property registration. | | |
| Brief description | Sales & Use Tax exemption for certain property purchased out of state: (A) automobiles, if the owner was a resident of another state at the time of purchase, (B) snowmobiles or all-terrain vehicles if the purchaser is an individual and not a State resident, (C) aircraft, provided certain conditions are met, (D) property brought to the State solely to conduct activities related to a state disaster or emergency, (E) other property that was purchased and used by the present owner outside the State for more than 12 months. ¹¹ | | |
| Intended beneficiaries | Owners of certain types of property purchased out of state that use or register such property in Maine. | | |
| Estimated fiscal impact | FY13 | \$1,000,000 – \$2,999,999 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$1,000,000 – \$2,999,999 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$1,000,000 – \$2,999,999 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY16 | \$1,000,000 – \$2,999,999 | |
| | FY17 | \$1,000,000 – \$2,999,999 | |
| | FY18 | \$1,000,000 – \$2,999,999 | |
| | FY19 | \$1,000,000 – \$2,999,999 | |
| Notes on estimated fiscal impact | Estimated as a range of possible values because little or no data is available. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1983, ch. 571 | Enacted exemption for property purchased and used (and registered, if required) by the present owner outside the State for more than 6 months before being brought into State. | |
| | P.L. 1985, ch. 419 | Amended exemption to apply to: (1) automobiles if the owner was a resident of another state and employed or registered to vote in that state at the time of purchase, or (2) property purchased and used by the owner outside the state for more than 12 months. Property, other than automobiles, that is required to be registered does not qualify for exemption unless it was registered in the previous state for more than 12 months prior to registration in State. | |
| | P.L. 1987, ch. 772 | Created criteria for watercraft to qualify for the exemption. Watercraft must be registered outside the State by an owner who (at the time of purchase) was a resident of another state and the watercraft is present in State not more than 30 days for the 12 months following purchase. | |

¹¹ 36 MRSA § 1760, sub-§ 88-A provides an exemption for all aircraft sales through June 30, 2033. This exemption is slated for review under the Expedited group of “Interstate or Foreign Commerce.”

| | | |
|--|-----------------------|---|
| | P.L. 1991, ch. 620 | Applied the criteria for watercraft (see P.L. 1987, ch. 772) to snowmobiles and all-terrain vehicles (ATVs). |
| | P.L. 1995, ch. 467 | Removed criteria for snowmobiles so they fell under the general criteria for other types of property (i.e. must be used outside of State for 12 months). |
| | P.L. 2005, ch. 218 | Re-inserted previous criteria for snowmobiles (see P.L. 1991, ch. 620). Exempted snowmobiles if purchaser is a non-resident, and the snowmobile is purchased and used out of state. |
| | P.L. 2005, ch. 519 | Added exemption for any aircraft not already exempted under sub-§ 88 (i.e. a commercial airliner) that was purchased out of State and is present in State for no more than 20 days in the 12 months after purchase, excluding periods for major repairs or maintenance. |
| | P.L. 2007, ch. 438 | Clarified that this exemption for automobiles, watercraft, snowmobiles or ATVs is limited to individuals, not other legal entities. |
| | P.L. 2007, ch. 691 | Discounted (from the time in State to be subject to tax) any days aircraft are in State to provide free transportation for children and adults to access life-saving medical care. |
| | P.L. 2009, ch. 625 | Removed the requirement that a nonresident purchaser must have been employed or registered to vote in another state to qualify for exemption from use tax on automobiles purchased and used out of State. |
| | P.L. 2011, ch. 622 | Exempted property brought into State solely to conduct activities directly related to a State disaster or emergency and the property is present only during the disaster period. |

| Tax Expenditure | Exemption for Certain Returnable Containers | | |
|---|--|--|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 12 | | |
| Distribution mechanism | Exemption at point of sale. | | |
| Brief description | Sales tax exemption for returnable containers when sold either with the contents or when resold for refilling. | | |
| Intended beneficiaries | Purchasers of returnable containers. | | |
| Estimated fiscal impact | FY13 | \$1,287,434 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$1,427,979 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$1,512,056 | |
| | FY16 | \$1,745,929 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$1,798,307 | |
| | FY18 | \$1,852,256 | |
| | FY19 | \$1,907,824 | |
| Notes on estimated fiscal impact | MRS derives the estimate from grocery sales data and sample bottle redemption data. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1951, ch. 250 | Enactment of sales tax exemption for returnable containers when sold with the contents or when resold for refilling. | |

| Tax Expenditure | Exemption for Meals and Lodging Provided to Employees | | |
|---|--|---|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 75 | | |
| Distribution mechanism | Exemption at point of sale. | | |
| Brief description | Sales Tax exemption on meals and lodging provided to employees at their place of employment when the value of the meals and lodging is allowed as a credit toward the wages of those employees. | | |
| Intended beneficiaries | Employees receiving meals and/or lodging from employer where the value is credited toward wages. | | |
| Estimated fiscal impact | FY13 | \$145,350 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$160,930 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$168,286 | |
| | FY16 | \$50,000 – \$249,999 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$50,000 – \$249,999 | |
| | FY18 | \$50,000 – \$249,999 | |
| | FY19 | \$50,000 – \$249,999 | |
| Notes on estimated fiscal impact | MRS explained that the estimates changed to a range of possible values because little or no data is available. MRS previously calculated the fiscal impact based on the number of people working in the service industry. It was changed to a range because the estimate was not based on any meaningful data. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1989, ch. 871 | Enacted a Sales Tax exemption for meals or lodging provided to employees at their place of employment when the value of those meals or that lodging is allowed as a credit toward the wages of those employees. | |

| Tax Expenditure | Exemption for Mobile and Modular Homes | | |
|---|--|---|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 40 | | |
| Distribution mechanism | Exemption at point of sale. | | |
| Brief description | Sales Tax exemption for (A) used manufactured housing, and (B) new manufactured housing except for the cost of materials (exemption may not exceed 50% of the sale price). | | |
| Intended beneficiaries | Purchasers of manufactured housing. | | |
| Estimated fiscal impact | FY13 | \$17,735,845 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$27,593,065 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$28,650,370 | |
| | FY16 | \$31,907,086 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$32,226,157 | |
| | FY18 | \$32,709,549 | |
| | FY19 | \$33,200,193 | |
| Notes on estimated fiscal impact | Estimates based on information from sales tax returns (reported exempt sales). | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1977, ch. 716 | Enacted a Sales Tax exemption for used mobile or modular homes and an exemption for new mobile or modular homes to the extent of all costs included in the sales price, other than cost of materials, with exemption not to exceed 50% of sale price. | |
| | P.L. 2005, ch. 618 | Replaces the phrase “mobile and modular homes” with the defined term of “manufactured housing” (as already used administratively by MRS). | |

| Tax Expenditure | Exemption for Motor Vehicle Fuel | | |
|--|--|--|--|
| Statutory reference | 36 MRSA § 1760 sub-§ 8, paragraph A | | |
| Distribution mechanism | Exemption at point of sale. | | |
| Brief description | Motor vehicle fuels that are subject to Gasoline or Special Fuel Taxes (excise taxes) are exempt from Sales & Use Tax. | | |
| Intended beneficiaries | Individuals purchasing motor vehicle fuel that is subject to excise taxes. | | |
| Estimated fiscal impact | FY13 | \$121,893,611 | Source: 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$143,231,504 | Source: 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$142,461,604 | |
| | FY16 | \$89,387,543 | Source: 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$90,594,164 | |
| | FY18 | \$91,690,031 | |
| | FY19 | \$92,946,579 | |
| Notes on estimated fiscal impact | Estimates based on actual and projected motor fuel tax revenue and estimated average prices of motor fuels. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1951, ch. 250 | Enacted Sales & Use Tax exemption for gasoline and motor vehicle fuel subject to excise taxes. | |
| | P.L. 1959, ch. 358 | Extends the exemption to gasoline or motor vehicle fuels on which a tax is imposed by any other state or province. | |
| | P.L. 1969, ch.223 | Restricted the exemption from internal combustion engine fuel bought and used for jet or turbo engine aircraft. | |
| | P.L. 1977, ch. 572 | Exempted fuel sold for aircraft for international flights. | |
| | P.L. 1983, ch. 852 | Expanded exemption to internal combustion engine fuel containing at least 10% ethanol that is already subject to tax. | |
| | P.L. 1987, ch. 798 | Expanded exemption to all internal combustion engine fuel for use in jet or turbojet engine aircraft. | |
| | P.L. 1991, ch. 546 | Removed the exemption for internal combustion engine fuel containing at least 10% ethanol. | |
| | P.L. 2007, ch. 240 | Expanded the exemption to diesel internal combustion engine fuel bought and used from July 1, 2007 to June 30, 2008 for use in commercial ground fishing boats. | |
| | P.L. 2011, ch. 548 | Removed the exemption for fuel bought and sold 2007-2008 for commercial ground fishing boats and added exemption for fuel on which a comparable tax has been paid in Canada. | |

| Tax Expenditure | Exemption for Packaging Materials | | |
|---|--|--|---|
| Statutory reference | 36 MRSA § 1760 sub-§ 12-A | | |
| Distribution mechanism | Exemption at point of sale if purchaser provides certificate to confirm eligibility. | | |
| Brief description | Sales & Use tax exemption for materials used by individuals and businesses to ensure delivery of contents in physically good condition, provided the materials pass into the possession of the customer. | | |
| Intended beneficiaries | Individuals and businesses that purchase certain packing, packaging and shipping materials that pass into the possession of the customer. | | |
| Estimated fiscal impact | FY13 | \$10,174,500 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$11,943,875 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$12,843,050 | |
| | FY16 | \$29,204,000 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$30,360,400 | |
| | FY18 | \$31,722,600 | |
| | FY19 | \$32,996,600 | |
| Notes on estimated fiscal impact | Estimates generated with sales tax micro-simulation model. MRS explained that increase in the estimates from the 2016-2017 report to the 2018-2019 report is due to changes in the model, including changes in consumer/sales trends, as well as due to changes in different types of packaging materials being included in the estimates from year to year. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1951, ch. 250 | Enacted a Sales Tax exemption for certain packaging materials by excluding them from the definition of “retail sale” for sales tax purposes, when the materials are sold to persons for packing, packaging or shipping personal property produced or sold by them. | |
| | P.L. 1953, ch. 146 | Added requirement that the packaging materials be transferred to the possession of the purchaser to qualify for exemption. | |
| | P.L. 1953, ch. 374 | Extended the exemption to property on which the following services have been performed in the regular course of business: cleaning, pressing, dyeing, washing, repairing or reconditioning. | |
| | P.L. 1989, ch. 871 | Moved the exemption for packaging material from the definition of “retail sale” to its own exemption provision. | |
| | P.L. 1995, ch. 634 | Added those engaged in the business of packing, packaging, shipping, and transporting tangible personal property to the exemption. | |

| Tax Expenditure | Exemption for Trade-In Credits | | |
|---|---|--|---|
| Statutory reference | 36 MRSA § 1765 | | |
| Distribution mechanism | Exemption at point of sale. | | |
| Brief description | Sales Tax exemption for the value of traded in property when used towards the sale price of another of the same kind of property for: motor vehicles, watercraft, aircraft, chain saws, special mobile equipment, and trailers/truck campers. | | |
| Intended beneficiaries | Individuals and businesses trading in listed property. | | |
| Estimated fiscal impact | FY13 | \$24,253,331 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$26,345,793 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$28,032,417 | |
| | FY16 | \$33,470,748 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$34,642,224 | |
| | FY18 | \$35,854,701 | |
| | FY19 | \$37,109,616 | |
| Notes on estimated fiscal impact | Estimates based on information from Sales Tax returns (reported exempt sales). | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1953, ch. 266 | Enacted Sales Tax exemption by specifying tax is payable on the difference between the sale price of a purchased motor vehicle or farm tractor and the sale price of the vehicle or tractor traded in. | |
| | P.L. 1967, ch. 108 | Excluded from the exemption those transactions between dealers involving exchanging tractors or vehicles from inventory. ¹² | |
| | P.L. 1969, ch. 295 | Repealed tax exemption. | |
| | P. & S.L. 1969, ch. 154 | Reinstated tax exemption. | |
| | P.L. 1975, ch. 317 & ch. 528 | Extended exemption to aircraft and boats. | |
| | P.L. 1977, ch. 686 | Extended exemption to include self-propelled vehicles used to harvest lumber. | |
| | P.L. 1985, ch. 519 | Extended exemption to chain saws and clarified that exemption only applies for trade-ins of listed items of the same kind. | |

¹² Per MRS, this exclusion only applied if the dealer intended to make a taxable use of the property. Sales for resale are exempt from Sales & Use tax under 36 MRSA § 1752 sub-§ 10 for items purchased for resale if annual gross sales are over \$3,000.

| | | |
|--|-----------------------|---|
| | P.L. 1987, ch. 49 | Extended exemption to camper trailers. |
| | P.L. 1987, ch. 128 | Clarified that the exemption is calculated based on the trade-in allowance (not sale price) and extended exemption to include livestock trailers and up to 20% of the trade-in allowance for special mobile equipment. |
| | P.L. 1987, ch. 467 | Extended exemption to lumber harvesting loaders. |
| | P.L. 1989, ch. 533 | Extended exemption to full amount for special mobile equipment. |
| | P.L. 1997, ch. 133 | Incorporated farm tractors and lumber harvesting vehicles and loaders into the definition of special mobile equipment and removed these distinct categories, allowing the exemption to apply to trades of any type of special mobile equipment. |
| | P.L. 1999, ch. 518 | Allowed a trade-in credit of a truck camper against a camper trailer or another truck camper. |
| | P.L. 2007, ch. 375 | Extended exemption to all trailers, removed separate category of camper trailers, retained truck campers in own category. |
| | P.L. 2007, ch. 627 | Corrected consequence of previous statute by creating exception to allow the exemption when truck campers and camper trailers are traded, despite being in different categories. |
| | P.L. 2009, ch. 207 | Placed trailers and truck campers into the same category and removed length restriction in definition of trailer. |

| Tax Expenditure | Credit for Income Tax Paid to Other Jurisdiction | | |
|---|--|--|---|
| Statutory reference | 36 MRSA § 5217-A | | |
| Distribution mechanism | Credit on Maine State Income Tax Return. | | |
| Brief description | Credit for income tax paid to another state, political subdivision of a state, the District of Columbia or any political subdivision of a foreign country that is analogous to a state. | | |
| Intended beneficiaries | Maine residents who have paid income tax to another jurisdiction. | | |
| Estimated fiscal impact | FY13 | \$42,940,000 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$43,035,000 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$44,756,000 | |
| | FY16 | No estimate | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | No estimate | |
| | FY18 | No estimate | |
| | FY19 | No estimate | |
| Notes on estimated fiscal impact | MRS explained that estimates are no longer included in the Tax Expenditure Report because of considerations of U.S. Constitution provisions bearing on state taxation. Previous estimates were based on information from the MRS data warehouse. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P. & S.L. 1969, ch. 154 | Enactment of State income tax credit for the amount of income tax paid to another state (or political subdivision) or the District of Columbia. | |
| | P.L. 1977, ch. 424 | Extends the income tax credit to include tax paid to a Canadian Province. | |
| | P.L. 1981, ch. 411 | Extends the income tax credit to include tax paid to a political subdivision of a foreign country which is analogous to a State. | |
| | P.L. 1983, ch. 571 | Clarifies that if a credit is claimed for taxes paid to both a state and a political subdivision, the total credit does not exceed the tax otherwise due. | |
| | P.L. 1991, ch. 591 | Inserts exclusion to the tax credit for any tax payable as a result of the newly implemented State minimum tax. | |
| | P.L. 2003, ch. 391 | Clarifies that the credit for income tax paid to another jurisdiction is limited to tax paid on income derived from sources in the other taxing jurisdiction, as defined by Maine statute. | |

| Tax Expenditure | Deduction for Active Duty Military Pay Earned Outside of Maine | | |
|--|--|--|---|
| Statutory reference | 36 MRSA § 5122 sub-§ 2, paragraph LL | | |
| Distribution mechanism | Deduction on Maine State Income Tax Return. | | |
| Brief description | Income tax deduction for pay received for active duty military service performed outside of Maine. | | |
| Intended beneficiaries | Active duty military service members who are Maine residents and perform military service outside Maine. | | |
| Estimated fiscal impact | FY13 | \$0 | <i>Source: 2014-2015 Maine State Tax Expenditure Report</i> |
| | FY14 | \$741,000 | <i>Source: 2016-2017 Maine State Tax Expenditure Report</i> |
| | FY15 | \$1,873,000 | |
| | FY16 | \$990,000 | <i>Source: 2018-2019 Maine State Tax Expenditure Report</i> |
| | FY17 | \$900,000 | |
| | FY18 | \$900,000 | |
| | FY19 | \$900,000 | |
| Notes on estimated fiscal impact | MRS explained that the estimates for FY14-15 were taken from the original fiscal note on the bill establishing the deduction, whereas the reduced estimates for FY16-19 are based on extrapolations from actual tax return data. According to MRS, FY14 was estimated based on a partial year of data and FY15 actual impact was likely much lower than estimated. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 2011, ch. 657 | Enacted a deduction from State income tax for active duty military pay earned outside of Maine for service performed pursuant to written military orders during tax years beginning on or after January 1, 2014. | |
| | P.L. 2013, ch. 331 | Clarifies the conditions for military pay to be eligible for the income subtraction. Adds members of the national guard and naval reserves if activated for a federal operational mission or disaster response. | |

| Tax Expenditure | Deduction for Dividends from Affiliates not included in Combined Return | | |
|---|---|---|---|
| Statutory reference | 36 MRS § 5200-A sub-§ 2, paragraph G | | |
| Distribution mechanism | Deduction on Maine State Income Tax Return. | | |
| Brief description | Companies with affiliates overseas are entitled to a 50% deduction of apportioned dividend income to offset the burden of being taxed on overseas business income. | | |
| Intended beneficiaries | Corporations paying Maine State income tax on income of overseas affiliates. | | |
| Estimated fiscal impact | FY13 | \$10,000,000 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | No estimate | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | No estimate | |
| | FY16 | No estimate | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | No estimate | |
| | FY18 | No estimate | |
| | FY19 | No estimate | |
| Notes on estimated fiscal impact | MRS explained that estimates are no longer included in Tax Expenditure Reports as this tax relief is a U.S. Constitutional requirement. Previous estimates were based on information from the MRS data warehouse. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1987, ch. 841 | Enacted a State income tax deduction of up to 50% (phased in over time) of the apportioned dividend income received from an overseas affiliate. | |

| Tax Expenditure | Deduction for Social Security Benefits Taxable at Federal Level | | |
|---|---|--|---|
| Statutory reference | 36 MRSA § 5122 sub-§ 2, paragraph C | | |
| Distribution mechanism | Deduction on Maine State Income Tax Return. | | |
| Brief description | Federal Adjusted Gross Income (FAGI) is reduced by social security benefits and railroad retirement benefits included in FAGI. | | |
| Intended beneficiaries | Individuals who receive Social Security or Railroad Retirement benefits. | | |
| Estimated fiscal impact | FY13 | \$52,737,350 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$69,711,000 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$71,212,000 | |
| | FY16 | \$79,400,000 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$78,500,000 | |
| | FY18 | \$85,000,000 | |
| | FY19 | \$91,800,000 | |
| Notes on estimated fiscal impact | Estimates based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1983, ch. 798 | Enacted an exclusion of Social Security benefits from State Income Tax by reducing FAGI by the amount of Social Security benefits and Railroad Retirement benefits included in FAGI. | |

| Tax Expenditure | Refund of Gasoline Tax for Off-Highway Use and for Certain Bus Companies | | |
|--|---|--|---|
| Statutory reference | 36 MRSA § 2908 (off-highway use), 36 MRSA § 2909 (certain bus companies) | | |
| Distribution mechanism | Refund upon submission of paper application within 18 months (off-highway use) or 12 months (certain bus companies) of purchase. | | |
| Brief description | A refund of the Gasoline Tax paid (less \$.01 per gallon and applicable sales & use tax) on internal combustion fuel for commercial use, except for motor vehicles on public ways or in aircraft <u>and</u> a full refund of the Gasoline Tax on internal combustion fuel for common carrier passenger service on which no motor vehicle excise tax is due. ¹³ | | |
| Intended beneficiaries | Individuals, firms or corporations purchasing applicable gasoline for commercial use. | | |
| Estimated fiscal impact | FY13 | \$958,705 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$265,192 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$ 325,000 | |
| | FY16 | \$676,475 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$960,000 | |
| | FY18 | \$960,000 | |
| | FY19 | \$960,000 | |
| Notes on estimated fiscal impact | Estimates extrapolated based on actual refunds issued in the fiscal year 2006. | | |
| Legislative history (includes substantive amendments) Section 2908: Off-highway use | Public Law | Change | |
| | P.L. 1925, ch. 212 | Enacted a refund of 2/3 of Gasoline Tax paid on internal combustion engine fuel for motor boats, agricultural tractors, vehicles on rails or tracks, stationary engines for mechanical or industrial use, or any other commercial use except in motor vehicles operated on public highways. Refund applications must be made to the State Auditor with original invoices within 90 days of purchase. | |
| | P.L. 1927, ch. 251 | Increased the refund amount to 3/4 of tax paid and extends the time to apply for a refund to 6 months from date of purchase. | |
| | P.L. 1931, ch. 44 | Extended the time to apply for a refund to 9 months. | |
| | P.L. 1931, ch. 216 | Shifted refund administration from State Auditor to the Department of Finance. | |
| | P.L. 1941, ch. 316 | Excluded fuel used in aircraft from the refund. | |
| | P.L. 1947, ch. 349 | Increased the refund amount to 5/6 of tax paid. | |

¹³ Off-highway fuel is subject to Sales and Use tax and has an 18-month refund period from the date of sale. Fuel used by certain bus companies is exempt from Sales and Use tax and has a 12-month refund period.

| | | |
|--|---|--|
| | P.L. 1955, ch. 436 | Increased the refund amount to 6/7 of tax paid. |
| | P.L. 1957, ch. 193 | Extended the time to apply for a refund to 12 months. |
| | P.L. 1965, ch. 395 | Removed the refund for pleasure boats not used for commercial purposes and confirmed that the refund applies to fuel used for commercial boats. |
| | P.L. 1969, ch. 426 | Increased the refund amount to 7/8 of tax paid. |
| | P.L. 1971, ch. 529 | Increased the refund amount to 8/9 of tax paid. |
| | P.L. 1977, ch. 270 | Extended the time to apply for a refund to 15 months. |
| | P.L. 1979, ch. 549 | Clarified that the refund only applies to vehicles on rails or tracks if they are owned or operated by railroad companies. |
| | P.L. 1983, ch. 94 | Increased the refund to the amount of tax paid less \$.01 per gallon; extended the refund to fuel for registered vehicles operating off state highways; permitted monthly refund applications; required refund applications to be processed and paid promptly; required submission of substantiating information quarterly; confirmed that applicable fuel qualifying for Gasoline Tax refund is subject to Sales and Use tax. |
| | P.L. 2005, ch. 332 | Restricted beneficiaries to persons purchasing and using fuel for commercial use, simplified list of eligible vehicles as only vehicles for commercial use other than those registered for use on State highways. Decreased time to apply for a refund to 12 months and allowed applications for periods other than monthly. |
| | P.L. 2007, ch. 438 | Removed requirement to submit original invoices (but retained requirement to submit evidence as the Assessor may require.) |
| P.L. 2005, ch. 260 | Clarified that a person who purchases and uses fuel for commercial ground fishing is eligible for refund. | |
| P.L. 2015, ch. 9 | Extended the time to apply for a refund to 18 months. | |
| Section 2909: Certain bus companies | P.L. 1959, ch. 329 | Enacted a Gasoline Tax exemption of 3/7 of the tax paid by any person or entity engaged in furnishing a common carrier passenger service under a certificate issued by the Public Utilities Commission, on the proportion of internal combustion engine fuel used in buses (on which no excise tax is collected), provided the tax exempt passenger fare revenue is at least 60% of the total fare revenue. Applications for refunds must be submitted to the State Tax Assessor on required forms with original invoices within 9 months of the date of purchase. |

| | | |
|--|-----------------------|---|
| | P.L. 1965, ch. 479 | Increased the amount of refund available to the entire amount of Gasoline Tax paid. |
| | P.L. 2005, ch. 332 | Extended the time to apply for refunds to 12 months. |
| | P.L. 2007, ch. 438 | Removed the requirement to submit original invoices as part of refund claim. |

| Tax Expenditure | Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Companies | | |
|---|--|--|---|
| Statutory reference | 36 MRSA § 3218 (off-highway use), 36 MRSA § 3215 (certain bus companies) | | |
| Distribution mechanism | Refund upon submission of paper application within 18 months (off-highway use) or 12 months (certain bus companies) of purchase. | | |
| Brief description | A refund of the Special Fuel Tax paid (less \$.01 per gallon and applicable sales & use tax) on special fuel, except for use in motor vehicles on State highways or in an aircraft <u>and</u> a full refund of the Special Fuel Tax paid on internal combustion fuel used in common carrier passenger service on which no motor vehicle excise tax is collected. ¹⁴ | | |
| Intended beneficiaries | Individuals, firms or corporations purchasing applicable fuel. | | |
| Estimated fiscal impact | FY13 | \$4,500,000 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$4,513,071 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$4,500,000 | |
| | FY16 | \$4,749,588 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$4,500,000 | |
| | FY18 | \$4,500,000 | |
| | FY19 | \$4,500,000 | |
| Notes on estimated fiscal impact | Estimates extrapolated based on actual refunds issued in the fiscal year 2006. | | |
| Legislative history (includes substantive amendments) Section 3218: Off-highway use | Public Law | Change | |
| | P.L. 1983, ch. 94 | Enacted a refund for Special Fuel Tax on internal combustion engine fuel for motor boats, agricultural equipment not operated on public ways, vehicles that only run on rails or tracks, stationary engines, registered vehicles operated off highways, or for any other commercial use except motor vehicles operating on the highways. Refunds are for the Special Fuel Tax paid less \$.01 by application to the State Tax Assessor within 15 months of purchase. Applicable fuel qualifying for Special Fuel Tax refund is subject to use tax. | |
| | P.L. 1983, ch. 828 | Extended the refund beyond commercial use. | |
| | P.L. 2003, ch. 390 | Restricted refunds to persons who purchase and use applicable fuel; simplified language of eligible vehicles to anything other than a motor vehicle registered for use on the highways. | |
| | P.L. 2005, ch. 332 | Reduced the time to submit an application to 12 months; clarified that the amount of refund is the amount of tax paid minus \$.01 per gallon. | |

¹⁴ Off-highway fuel is subject to Sales and Use tax and has an 18-month refund period from the date of sale. Fuel used by certain bus companies is exempt from Sales and Use tax and has a 12-month refund period.

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|--|-----------------------|--|
| | P.L. 2015, ch. 9 | Extends the time for refund applications to 18 months. |
| Section 3215: Certain bus companies | P.L. 1959, ch. 329 | Enacted a Special Fuel Tax exemption of 3/7 of the tax paid by any person or firm providing common carrier passenger services for locally encouraged vehicles (on which no excise tax is collected) under a certificate issued by the Public Utilities Commission, provided that the tax-exempt passenger fare revenue is at least 60% of the total passenger fare revenue. Refund applications must be filed within 9 months of purchase. |
| | P.L. 1965, ch. 479 | Increased the amount of refund available to the entire amount of tax paid. |
| | P.L. 2005, ch. 332 | Extended the time for refund applications to 12 months from purchase. |
| | P.L. 2007, ch. 438 | Removed the requirement to submit original invoices as part of refund claim. |

| Tax Expenditure | Exemptions of the Real Estate Transfer Tax | | |
|---|---|---|---|
| Statutory reference | 36 MRSA § 4641-C | | |
| Distribution mechanism | Exemption claimed when submitting Real Estate Transfer Tax Declaration or Controlling Interest Transfer Tax form. | | |
| Brief description | Exempts from the Real Estate Transfer Tax 19 different types of transfers of real estate by deed or by transfer of a controlling interest in the property. | | |
| Intended beneficiaries | Buyers and sellers of exempt real estate. | | |
| Estimated fiscal impact | FY13 | \$500,000-\$1,999,998 | <i>Source:</i> 2014-2015 Maine State Tax Expenditure Report |
| | FY14 | \$500,000-\$1,999,998 | <i>Source:</i> 2016-2017 Maine State Tax Expenditure Report |
| | FY15 | \$500,000-\$1,999,998 | |
| | FY16 | \$500,000-\$1,999,998 | <i>Source:</i> 2018-2019 Maine State Tax Expenditure Report |
| | FY17 | \$500,000-\$1,999,998 | |
| | FY18 | \$500,000-\$1,999,998 | |
| | FY19 | \$500,000-\$1,999,998 | |
| Notes on estimated fiscal impact | Estimates are based on a forecast of housing sales and median home prices from the Office of Policy and Management economic forecast. The exemption impacts the General Fund and the HOME Fund in the amount of \$250,000 - \$999,999 each. | | |
| Legislative history (includes substantive amendments) | Public Law | Change | |
| | P.L. 1975, ch. 572 | Enacted eight exemptions from the Real Estate Transfer Tax for certain types of deeds, including property acquired by government entities, mortgage deeds, additions/modifications to existing deeds, deeds between certain family members without consideration, tax deeds, deeds of partition, deeds made pursuant to mergers, and deeds by a subsidiary to its parent corporation in exchange for stock. | |
| | P.L. 1975, ch. 655 | Added exemption for partial releases of mortgage deeds. | |
| | P.L. 1977, ch. 318 | Added exemption for deeds made prior to October 1, 1975. | |
| | P.L. 1977, ch. 394 | Added exemption for deeds made by a parent corporation to its subsidiary in exchange for stock. | |
| | P.L. 1981, ch. 148 | Added exemption for deeds of distribution made under Probate Code. | |
| | P.L. 1985, ch. 691 | Clarified language to ensure exemption includes property deeds transferred to or by the US or State of Maine. | |

| | | |
|--|-----------------------|--|
| | P.L. 1993, ch. 398 | Added exemption for deeds executed by public officials in performance of official duties, deeds of (or in lieu of) foreclosure, deeds given pursuant to the US Bankruptcy Code, deeds to a trustee/nominee/straw, certain corporate and partnership deeds in exchange for shares/interests/debt security. |
| | P.L. 1993, ch. 647 | Confirmed that non-government organizations involved in real estate transfers with a government entity will be liable for the Real Estate Transfer Tax, with the exception of property transferred for transportation purposes and land conservation. Deeds for gifts of land to charitable conservation organizations added to exemption. |
| | P.L. 1993, ch. 718 | Added exemption for deeds between limited liability companies and their members. |
| | P.L. 1999, ch. 638 | Added exemption for deeds pursuant to consolidation of business entities provided no gain or loss is recognized by the IRS; and property transfers that are simply a change in identity or form of ownership when there is no change in beneficial ownership. |
| | P.L. 2001, ch. 559 | Added exemption for real estate transferred by a transfer of a controlling interest if the transfer by deed would be exempt. |
| | P.L. 2005, ch. 519 | Added exemption for deeds between grandparent and grandchild. |
| | P.L. 2009, ch. 361 | Clarified the types of business entities that qualify for exemption for deeds made pursuant to a merger or consolidation. |
| | P.L. 2009, ch. 402 | Removed exemption for foreclosures and deeds in lieu of foreclosures and directed that tax revenue to the Bureau of Consumer Credit Protection to fund the agency's additional duties resulting from increased foreclosure rates. Clarified that only the mortgagor is exempt from the tax imposed for the deed in lieu of foreclosure. |
| | P.L. 2013, ch. 521 | Clarified that tax is exempted regardless of whether the transfer is by deed, assignment or other method of transfer for public sales for any amount needed to satisfy the claims of the mortgage. |

Appendix A: Selected Sections of Statute Relevant to Expedited Reviews of Tax Expenditures

3 MRSA § 998. Process for review of tax expenditures¹⁵

1. Assignment of review categories. By October 1, 2015, the committee, in consultation with the policy committee, shall assign each tax expenditure to one of the following review categories:
 - A. Full evaluation for tax expenditures that are intended to provide an incentive for specific behaviors, that provide a benefit to a specific group of beneficiaries or for which measurable goals can be identified;
 - B. Expedited review for tax expenditures that are intended to implement broad tax policy goals that cannot be reasonably measured; and
 - C. No review for tax expenditures with an impact on state revenue of less than \$50,000 or that otherwise do not warrant either a full evaluation or expedited review.
2. Schedule. By October 1, 2015, the committee, in consultation with the policy committee, shall establish a schedule of ongoing review of the tax expenditures assigned to the full evaluation and expedited review categories pursuant to subsection 1, paragraphs A and B. To the extent practicable, the committee shall schedule the review of tax expenditures with similar goals during the same year.
3. Annual review of assignments and schedule. By October 1st of each year, beginning in 2016, the committee, in consultation with the policy committee, shall review and make any necessary adjustments to the review category assignments and schedule pursuant to subsections 1 and 2, including adjustments needed to incorporate tax expenditures enacted, amended or repealed during the preceding year.
4. Office responsibilities. The office shall maintain a current record of the review category assignments and the schedule under this section.

3 MRSA § 1000. Expedited review of tax expenditures; Sub-§ 2

2. Action by the office. By July 1st of each year, beginning in 2016, the office shall collect, prepare and submit to the policy committee the following information to support the expedited reviews under subsection 1:
 - A. A description of the tax policy under review;
 - B. Summary information on each tax expenditure associated with the tax policy under review, including:
 - (1) A description of the tax expenditure and the mechanism through which the tax benefit is distributed;
 - (2) The intended beneficiaries of the tax expenditure; and
 - (3) A legislative history of the tax expenditure; and
 - C. The fiscal impact of the tax policy and each related tax expenditure, including past and estimated future impacts.

¹⁵ In these sections of law, “the office” refers to OPEGA; “the committee” refers to the Government Oversight Committee; “the policy committee” refers to the Taxation Committee.

Appendix B: Estimated Fiscal Impact of “Tax Fairness” Tax Expenditures, FY13-FY19

| Expenditure ¹⁶ | FY13 ¹⁷ | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Exemption for Certain Loaner Vehicles | \$232,560 | \$253,816 | \$266,151 | \$280,047 | \$285,647 | \$291,361 | \$297,188 |
| Exemption for Certain Property Purchased Out of State | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 | \$1,000,000-2,999,999 |
| Exemption for Certain Returnable Containers | \$1,287,434 | \$1,427,979 | \$1,512,056 | \$1,745,929 | \$1,798,307 | \$1,852,256 | \$1,907,824 |
| Exemption for Meals & Lodging Provided to Employees | \$145,350 | \$160,930 | \$168,286 | \$50,000-\$249,999 | \$50,000-\$249,999 | \$50,000-\$249,999 | \$50,000-\$249,999 |
| Exemption for Mobile & Modular Homes | \$17,735,845 | \$27,593,065 | \$28,650,370 | \$31,907,086 | \$32,226,157 | \$32,709,549 | \$33,200,193 |
| Exemption for Motor Vehicle Fuel | \$121,893,611 | \$143,231,504 | \$142,461,604 | \$89,387,543 | \$90,594,164 | \$91,690,031 | \$92,946,579 |
| Exemption for Packaging Materials | \$10,174,500 | \$11,943,875 | \$12,843,050 | \$29,204,000 | \$30,360,400 | \$31,722,600 | \$32,996,600 |
| Exemption for Trade-In Credits | \$24,253,331 | \$26,345,793 | \$28,032,417 | \$33,470,748 | \$34,642,224 | \$35,854,701 | \$37,109,616 |
| Deduction for Active Duty Military Pay Earned Outside of Maine | \$0 | \$741,000 | \$1,873,000 | \$990,000 | \$900,000 | \$900,000 | \$900,000 |
| Deduction for Social Security Benefits Taxable at Federal Level | \$52,737,350 | \$69,711,000 | \$71,212,000 | \$79,400,000 | \$78,500,000 | \$85,000,000 | \$91,800,000 |
| Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies | \$958,705 | \$265,192 | \$325,000 | \$676,475 | \$960,000 | \$960,000 | \$960,000 |
| Refund of the Special Fuel Tax for Off-Highway Use and for Certain Bus Companies | \$4,500,000 | \$4,513,071 | \$4,500,000 | \$4,749,588 | \$4,500,000 | \$4,500,000 | \$4,500,000 |
| Exemptions of the Real Estate Transfer Tax ¹⁸ | \$500,000-1,999,998 | \$500,000-1,999,998 | \$500,000-1,999,998 | \$500,000-1,999,998 | \$500,000-1,999,998 | \$500,000-1,999,998 | \$500,000-1,999,998 |
| TOTAL¹⁹ | \$237,168,685 | \$289,437,224 | \$295,093,933 | \$275,211,414 | \$278,166,897 | \$288,880,496 | \$300,017,998 |

¹⁶ This table excludes two expenditures “Credit for Income Tax Paid to Other Jurisdiction” and “Deduction for Dividends from Affiliates not included in Combined Return” that are no longer included in the Maine State Tax Expenditure Report as described on p. 3. Data for these expenditures is not available for most years. If the Committees wish to see current estimates for these expenditures, they would need to request it from MRS. The available data for these two expenditures is included on pp. 6 and 8.

¹⁷ Source: Estimates for FY13 were published in the 2014-2015 Maine State Tax Expenditure Report. Estimates for FY14-FY15 were published in the 2016-2017 Maine State Tax Expenditure Report. Estimates for FY16-FY19 were published in the 2018-2019 Maine State Tax Expenditure Report.

¹⁸ This range is a combination of estimated cost of “Exemptions of the Real Estate Transfer Tax” to the General Fund and the HOME fund; costs estimated by MRS for each of those are \$250,000-\$999,999.

¹⁹ These totals use the mid-point of the estimated range for the fiscal impact of “Real Estate Transfer Tax,” “Certain Property Purchased Out of State,” and “Meals & Lodging Provided to Employees.”

Appendix C: Additional Discussion of MRS' Microsimulation Model

History of Updates to MRS' Office of Tax Policy Microsimulation Model

The sales and excise tax model is one of several microsimulation models MRS uses to forecast state revenues, to estimate the impact of proposed changes to state and local tax laws, and to develop a distributional analysis of Maine's state and local tax systems. The complete system of tax models also includes models for individual income tax, corporate income tax, property tax, and multi-tax incidence. The models are developed by contractors selected by MRS through a competitive bid process.

MRS has had four Sales and Excise tax models since 1999 and has a goal of updating the model every five years. The details on models used to date are:

Model I: Contracted with KPMG, LLP in 1998. Models were completed by end of 1999 and used for fiscal note purposes beginning with the 2000 legislative session. The FY02/03 biennial budget was the first time the models were used for tax expenditure estimates (January 2001).

Model II: Contracted with Barents Group, LLC (at that time a subsidiary of KPMG) in 2002. Models were completed by the end of 2004 and used for fiscal note purposes beginning with the 2005 legislative session. The FY06/07 biennial budget was the first time the models were used for tax expenditure estimates (January 2005). Base year data in this model was for the year 2000. This model was used for fiscal estimates in the 2014-2015 Maine State Tax Expenditure Report.

Model III: Contracted with Chainbridge, LLC in 2011. Models were completed by the end of 2011 and used for fiscal note purposes beginning with the 2012 legislative session. The FY14/15 biennial budget was the first time the models were used for tax expenditure estimates (January 2013). Base year data in this model is for the year 2009. This model was used for fiscal estimates for Sales & Use Tax expenditures in the 2016-2017 Maine State Tax Expenditure Report.

Model IV: Contracted with Chainbridge, LLC in 2016. The Sales tax model was completed by the fall of 2016 and used for fiscal note purposes beginning with the 2017 legislative session. The FY18/19 biennial budget was the first time the models were used for tax expenditure estimates (January 2017). Base year data in this model is from 2012 and 2014. The income tax models are not yet in use by MRS' Office of Tax Policy for estimating the fiscal impact of income tax law changes.