

March 29, 2018

Tax committee still working on tax conformity —

Doing nothing should not be an option

Again this week, the Joint Standing Committee on Taxation continued to hold work sessions on **LD 1655**, *An Act to Update References to the United State Internal Revenue Code of 1986 contained in the Maine Revised Statutes (Emergency)*, sponsored by Sen. Dana Dow (R-Lincoln). The taxation committee focused on the provisions in the tax conformity bill that dealt with businesses and the international provisions this week.

As we have indicated before, conformity is especially important as the federal government recently passed into law the federal Tax Cuts and Jobs Act on December 22, 2017. In addition to the excessive administrative burden with non-conformance that will be placed on Maine businesses, there are a number of other issues that will result if Maine fails to conform to the federal code.

If Maine conforms to the code, businesses will be allowed to take 100% bonus depreciation on assets. This will free up cash that could be used to reinvest in equipment or in their employees. If other states that we compete with adopt this bonus depreciation and Maine does not, it will place Maine companies at a competitive disadvantage when competing for capital.

With respect to the international provisions, the federal code transitions the U.S. from a worldwide to a territorial tax system. The idea was to bring back investment to the U.S. whereas now companies hold assets outside the U.S.

because of high tax rates in this country. The changes in the federal code lower the corporate tax rate to 21%, putting the U.S. on a level playing field with other countries. The federal code requires businesses to pay a one-time tax on cash, cash equivalents, and non-cash assets that are “deemed repatriated” back to the U.S. These assets are currently overseas. Maine stands to gain \$31 million in tax revenue from this “deemed repatriation.” If Maine fails to conform to the federal tax code, Maine loses that \$31 million.

There are a number of other problems that will impact Maine, if the state does not conform. First, Maine Revenue Services (MRS) will lose the support of the federal government to audit the personal exemptions. MRS depends largely on the feds to audit returns for fraud. If Maine does not conform to federal tax laws, filing would essentially be done on the “honor system,” and Maine will stand to lose thousands, if not millions, of dollars because MRS will not have access to the expertise of the IRS to verify taxpayer data. Therefore, if the legislature does nothing with conformity this session, Maine would revert back to the 2016 income tax laws.

The committee has plans to continue to discuss this issue all of next week. If you have any questions, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □

Majority of VLA committee approves referendum transparency legislation

A strong majority of the Joint Standing Committee on Veterans and Legal Affairs has approved a bill that will assist in bringing added transparency to Maine’s ballot initiative process. Last Thursday afternoon, the VLA committee voted on **LD 1865**, *An Act To Increase Transparency in the Direct Initiative Process*, sponsored by Rep. Louis Luchini (D-Ellsworth). As drafted, the bill would make three changes to the law governing Maine’s referendum process:

- ♦ First, it would make changes to the statements the Secretary of State would require on the petitions used to gather signatures. Specifically in the case of a paid signature gatherer, it would require the circulator’s name be printed on the petition, as well as the fact that the circulator is being paid to gather the signatures.
- ♦ Second, it creates a conflict of interest for notaries who are employed or providing services to petitioners.
- ♦ Third and lastly, the bill would require new financial reporting from major contributors to a direct initiative or People’s Veto effort. As defined, a major contributor is an

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About the Maine State Chamber of Commerce: Since 1889, the Maine State Chamber has been fighting to lower your cost of doing business. Through our Grassroots Action Network and OneVoice program, we work with a network of approximately 5,000 companies statewide who see the value in such a service and provide the financial support that keeps our access, advocacy, and assistance efforts going strong. As Maine's Chamber, we make sure that the business environment of the state continues to thrive. The Maine State Chamber of Commerce advocates on behalf of their interests before the legislature and regulatory agencies and through conferences, seminars, and affiliated programs.

LD 1666 remains tabled in the Education committee

LD 1666, *An Act To Ensure the Successful Implementation of Proficiency-based Diplomas by Extending the Timeline for Phasing in Their Implementation*, had its fifth scheduled work session on Tuesday, March 27. The Education and Cultural Affairs committee tabled the bill again after learning that the Department of Education plans to present the committee with a new bill relating to proficiency-based diplomas.

It is our understanding that there will be two new bills printed relating to proficiency-based diplomas. One bill would be a complete repeal of proficiency-based diplomas; the other is understood to be a watered-down version. Both proposals will be brought forward as governor's bills – one of the only ways to get a bill before the Legislature this late in the second session – and both will be scheduled for public hearings in the very near future.

Maine was the first state in the country to embrace a new "proficiency-based" high school diploma. Maine's current ninth-graders are set to graduate under these new requirements, which apply to subjects from math to English and social studies.

The Maine State Chamber of Commerce continues to support proficiency-based learning models. While the graduation rate in Maine has been rising,

there is a gap between the percentage of students who graduate and those who are proficient in math and reading, and a third of graduates who go onto college in Maine still need basic remedial courses.

In recent years, modern ideas for learning based on proficiency have been adopted in several states, and they are starting to work. Proficiency-based learning is aligned to make sure students have a mastery of a core subject before they proceed to the next level. This system tells us much more about what a student has learned; it gives us a better understanding of a student's specific strengths and weaknesses; and, can also help increase students verbal and written communications skills. These are skills employers are reporting increasingly as missing in younger workers.

Producing better-rounded and more highly -skilled graduates will also keep businesses investing in our state, and potentially attract more businesses to Maine. When our students succeed, Maine businesses succeed, and our state's economy and competitiveness greatly benefits.

For additional information or questions, please contact Megan Sanborn by calling (207) 623-4568, ext. 108, or by emailing msanborn@mainechamber.org. □

MaineSpark Summit: a day of action, reflection, and shared learning

MaineSpark is Maine's statewide workforce initiative that has made a 10-year commitment to growing Maine's credentialed workforce. MaineSpark is comprised of Maine's most influential education and business leaders, working together to ensure that Maine's workforce is productive and competitive. MaineSpark organizations connect people with the education, training, jobs, programs and resources needed to thrive in Maine's robust and changing economy.

On Friday, March 16, members of the MaineSpark steering committee, strategic tracks, and working groups convened at Thomas College in Waterville for a day of action, reflection, and shared learning.

The morning session of the summit focused on specific programs and practices currently underway in Maine, that are working toward the initiative's goal of 60% by 2025. Participants heard from organizations such as the Maine Municipal Association, the Greater Portland Workforce Initiative, Jobs for Maine's Graduates, and the Alford Scholarship Foundation. Attendees also worked together to identify strategies to strengthen the work of each track and learned about specific action steps their organizations could take to support the goal.

For additional information or questions about MaineSpark, please contact Megan Sanborn by calling (207) 623-4568, ext. 108, or by emailing msanborn@mainechamber.org. □

Legislature enacts Maine's shipbuilding facilities credit

Bill will help to sustain jobs and investment in Maine's shipbuilding industry

On Thursday, March 29, the House and Senate both enacted **LD 1781, An Act to Encourage New Major Investment in Shipbuilding Facilities and the Preservation of Jobs**, which was sponsored by Rep. Jennifer Deschant (D-Bath). It will now make its way to the Governor's desk. The committee voted 11-2 "ought-to-pass as amended." Of those present, Sen. Dana Dow, Sen. Andre Cushing, Rep. Ryan Tipping, Rep. Denise Teppler, Rep. Steve Stanley, Rep. Gary Hilliard, Rep. Maureen Terry, Rep. Gay Grant, Rep. Karl Ward, Rep. Bruce Bickford, and Rep. Matt Pouliot voted for the bill. Rep. Justin Chenette and Rep. Cooper voted against the bill.

As originally drafted, the bill would provide a 3% income tax credit for investments in shipbuilding facilities

made after January 1, 2018, as long as certain employment levels are maintained. Dana Connors, president of the Maine State Chamber of Commerce, testified on January 30 in strong support of LD 1781, noting that this bill will ensure future jobs and investment in Maine's shipbuilding industry. BIW currently has 5,600 employees with an average salary of \$60,820. Maine's shipbuilding facilities credit expired in 2017. During the lifetime of that credit, the facility was only required to spend \$200 million, but instead spent more than two and a half times that amount (\$500 million) since receiving the credit in 1998.

The bill was amended to change the duration of the tax credit to a maximum of 15 years, as opposed to 20 years. It

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Digest of New Legislation

Maine Chamber staff have studied each of these recently printed bills to assess potential impact on business trends. If you have concerns regarding any bill, please communicate those concerns to a member of our governmental services staff at (207) 623-4568.


EDUCATION

LD 1869, An Act To Establish the Total Cost of Education and the State and Local Contributions to Education for Fiscal Year 2018-19 and To Provide That Employees of School Management and Leadership Centers Are Eligible To Participate in the Maine Public Employees Retirement System. (Sen. Langley, R-Hancock) *Joint Standing Committee on Education and Cultural Affairs.* This bill establishes the total cost of funding public education from kindergarten to grade 12, the state contribution and the local contribution for fiscal year 2018-19. This bill also provides that employees of school management and leadership centers established under the Maine Revised Statutes, Title 20-A, chapter 123 are eligible to participate in the Maine Public Employees Retirement System.

EDUCATION

LD 1870, An Act To Reorganize the Provision of Services for Children with Disabilities from Birth to 5 Years of Age. (Sen. Langley, R-Hancock) *Joint Standing Committee on Education and Cultural Affairs.* Over a 2-year transition period, this bill moves responsibility for providing special education and related services for children who are at least 3 years of age and under 6 years of age from the Child Development Services System, state intermediate educational unit to the school administrative units of residence of the children. Under the bill, beginning July 1, 2018, a school administrative unit that is the unit of residence for a child with a disability who is at least 3 years of age and under 6 years of age may become responsible for providing special education and related services to that child through the implementation of an early

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Shipbuilding Tax Credit... (Continued from Page 3...)

requires that a minimum investment of \$100,000,000 be made to qualify for the first 10 years and an additional \$100,000,000 to qualify for the next five years. LD 1781 provides for a reduced credit when employment levels drop below 5,500 employees and outlines the reduced credit along with the corresponding employment reductions, and removes the provisions making the credit refundable. It also clarifies that the applicant cannot receive benefits under the Pine Tree Zone Development Program and under the shipbuilding facility credit.

If you have any questions, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □

New Legislation... (Continued from Page 3...)

adopter program. The bill amends several sections of law by removing references to the Child Development Services System. This bill eliminates the Child Development Services System and moves the entire responsibility for providing services to children from birth to under 3 years of age to the Department of Education's office of special services. The funding plan continues the present arrangement of full responsibility for costs being shared by state funds, federal funds, the MaineCare program and private insurers. The intent of the changes to the Child Development Services System statutes are based on the belief that children with disabilities are best served by their local communities; children do better when there are fewer transition points; there are efficiencies that can be achieved by eliminating duplicative state functions and by maximizing existing services and facilities at the local level; and the State should continue its current practice of funding all services for preschool children with disabilities that are not paid for with federal funds, through the MaineCare program or from private sources. □



**Friday, April 13, 2018 ♦ 8:00 a.m. to Noon
Statehouse Hall of Flags**



The Maine State Chamber of Commerce is hosting its annual Business Day at the Statehouse on Friday, April 13, 2018, from 8:00 a.m. to 12:00 p.m. in the Hall of Flags (Statehouse, Second Floor).

For more information or to RSVP, please contact Linda Caprara, director of grassroots advocacy, by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. With your participation, the "Voice of Maine Business" will resonate throughout Augusta!



Thank you to the sponsors of 2018 Business Day at the Statehouse:

Allied Engineering, Inc.
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Consolidated Communications
Emera Maine
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Enbridge
Hannaford Supermarkets
IDEXX Laboratories, Inc.
Maine Department of Economic & Community Development
MaineHealth
Poland Spring Water Company
Procter & Gamble-Tambrands
Reed & Reed
Spectrum Healthcare Partners
Texas Instruments



Workplace Marijuana Education Initiative

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We are excited to announce a new free program that is being offered to Maine employers as they grapple with the challenge of marijuana use by their employees. The law firm, Brann & Isaacson, working in partnership with business groups, including the Maine State Chamber of Commerce and the Retail Association of Maine, will offer Maine employers guidance on managing marijuana in the workplace. Services include:

- ◆ Telephone consultations;
- ◆ Access to sample drug policies;
- ◆ Workshops across the state; and,
- ◆ Bulletins on new development.

If you want more information about tricky topics such as drug-testing for marijuana, dealing with an impaired employee, understanding the differences between employee use of medical versus recreational marijuana, this initiative will offer you legal resources and education.

For information about this program, please contact Peter Lowe by calling (207) 786-3566 or by emailing plowe@brannlaw.com. You may also want to visit Peter's webpage at brannlaw.com. □

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Referendum Reform... (Continued from Page 1...)

entity that makes contributions of more than \$100,000 in aggregate to a ballot direct initiative or People's Veto. In this respect, the report would require the release of the name and purpose of the contribution, the five largest sources of income in the year prior to the filing of the report, whether the organization received contributions for the intent of influencing a ballot question, their tax exempt status, and whether they filed campaign finance reports in other jurisdictions.

As expected, the committee made a number of modifications to the bill. With respect to the section dealing with the petition itself and the circulators of the initiative, the committee removed the provisions requiring a statement on the

petition that the circulator was paid. In several states where similar requirements have been adopted, the courts have handed down mixed rulings regarding its constitutionality and the infringement of free speech rights.

Regarding the notary section, the committee amended the bill to clarify that a notary is not disqualified to administer the oaths for petitions *if* the *only* service provided was notarial acts. Finally, the committee clarified the reporting section of the bill, by placing language in statute (that had been in the rule), which says that a major contributor may exclude sources of funds from the "top five" section of the report if those funds are restricted in purpose – that purpose being unrelated to the direct initiative or people's veto.

Peter Gore, vice president of government relations for the Maine State Chamber, testified in support of the bill. In his testimony, Gore indicated both the issue and the bill had been discussed at the Maine State Chamber's recent Board of

Directors' meeting. The Maine State Chamber and its Board strongly believe that greater transparency, accountability, clarity, and honesty in the state's referendum process is a critical issue for the business community, and the state as a whole.

"We believe it will help Maine people to better understand who is behind these efforts and to better decide whether those promoting its passage represent a true grassroots effort or outside well-funded special interests that may put their policy goals above the ordinary Maine person," Gore said. "And ordinary Maine people are not always those gathering signatures or working on the question."

It is expected the VLA committee will review the final language of the bill later this week and then it will go to the full legislature for consideration. The Maine State Chamber continues to strongly support LD 1865. For additional information or questions, please contact Peter Gore by calling (207) 623-4568, ext. 107, or by emailing pgore@mainechamber.org. □



2018 Making Maine Work: Issues and Answers Forum

Tuesday, June 26, 2018 ♦ Maple Hill Farm

The Maine State Chamber of Commerce will host its **2018 Making Maine Work Issues and Answers Forum** on **Tuesday, June 26 at Maple Hill Farm**. The major gubernatorial candidates have been invited to speak independently, one at a time.

This event is by invitation only, and will include Board of Director members of both the Maine State Chamber and Maine Development Foundation and sponsors as well. We strive to engage high-level management people from the business community, who understand and are involved with legislative activity. In fact, few events held within our state assemble such an impressive group of business and elected leaders.

This is an opportunity to showcase your company to an audience of the state's business leaders, as well as support a program that examines the positions of the 2018 gubernatorial candidates on key business issues and discusses critical business issues in an effort to develop a vision for a stronger Maine economy.

SPONSORSHIP OPPORTUNITIES

Events of this caliber are made possible largely through the sponsorship support of members like you. Please consider one of the following opportunities to showcase your company at this event.

PLEASE NOTE: Sponsorships are sold on a first come, first served basis, especially in cases where one exclusive sponsorship is available.

PREMIER SPONSOR:

As the **Premier Sponsor** (one available; \$3,000), your company will be featured prestigiously throughout the day's events. Premier sponsor benefits also include:

- A full page program ad (3.25 inches wide x 10 inches high);
- One attendee registration
- Prominent positioning on the PowerPoint presentation signage using your company logo;
- Recognition from podium;
- Prominent positioning on the day's sponsor signage at registration and during event; and,
- Recognition - logo in our *Impact* newsletter as it pertains to coverage of event.

LUNCH SPONSOR:

As the **Lunch Sponsor** (one available; \$2,000), your company will be featured during lunch, as well as the introductions. Lunch sponsor benefits also include:

- A half page program ad (3.25 inches wide x 4.75 inches high);
- One attendee registration
- Prominent positioning on the lunch tables;
- Placement of your company's logo on the PowerPoint presentation shown throughout lunch;
- Acknowledgment from podium;
- Recognition on the day's sponsor signage during lunch; and,
- Recognition - logo in our *Impact* newsletter as it pertains to coverage of event.

PROGRAM SPONSORS:

As a **Program Sponsor** (\$1,000), your company will be featured throughout the day's events. Program sponsor benefits also include:

- A half page program ad (3.25 inches

wide x 4.75 inches high);

- One attendee registration
- Placement of your company's logo on the PowerPoint presentation;
- Acknowledgment from podium;
- Recognition on the day's sponsor signage during the event; and,
- Listing in our *Impact* newsletter as it pertains to coverage of event.

SUPPORTING SPONSORS:

As a **Supporting Sponsor** (\$750), your company will be featured throughout the day's events. Supporting sponsor benefits also include:

- Listing of your company name in the event's program book;
- One attendee registration
- Listing of your company name on the PowerPoint presentation;
- Recognition on the day's sponsor signage during the event; and,
- Listing in our *Impact* newsletter as it pertains to coverage of event.

Thank you for taking the time to review this material. We encourage you to seriously consider showcasing your company to Maine's prominent legislative and business leaders. To reserve your preferred sponsorship, please contact Melody Rousseau by calling (207) 623-4568, ext. 102, or by emailing melodyr@mainechamber.org. □

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MAINE
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Regional Business Breakfasts

from 7:30 a.m. to 9:00 a.m.

The Maine State Chamber works to bring together business leaders on a regional level through its Regional Business Breakfast Meetings. Local business leaders provide valuable insight that is instrumental to this open dialogue about business issues that affect your business, your community, and your state.

To register for this *FREE* event, please contact Kelsey Morrell by calling (207) 623-4568, ext. 104, or by emailing kmorrell@mainechamber.org. **To sponsor** this event, please contact Melody Rousseau by calling (207) 623-4568, ext. 102, or by emailing melodyr@mainechamber.org.

Lewiston Area

Tues., April 24

Fish Bones
American Grill,
Lewiston

Presque Isle Area

Wed., May 2

University of Maine
at Presque Isle

Portland Area

Tues., May 8

Anthem Blue Cross
& Blue Shield,
South Portland

Bangor Area

Wed., May 23

Jeff's Catering,
Brewer