



Executive Summary

OPEGA Evaluation of the Credit for Major Business Headquarters Expansions

About the Credit for Major Business Headquarters Expansions

The Credit for Major Business Headquarters Expansions (HQ Expansion Credit) was enacted in 2017 under Title 36 §5219-QQ. It is a refundable income tax credit of up to \$16M over 20 years for a business that makes a qualifying investment of \$35M to \$40M to expand or locate its corporate headquarters in Maine. The credit is capped annually at \$800,000 per certified project and is only available in tax years for which the participating business meets job growth requirements. The Department of Economic and Community Development (DECD) and Maine Revenue Services (MRS) jointly administer the credit, and both agencies' administrative costs are small enough to absorb within existing resources.

The HQ Expansion Credit Is Used by One Business, although Its Cap Allowed for More Participation

The HQ Expansion Credit's requirements create a fairly narrow field of businesses that could qualify, but they do not necessarily limit participation to a single Maine business. While few other businesses currently headquartered in Maine may have been able to meet the credit's requirements, many out-of-state businesses could presumably have met the requirements by moving their headquarters into Maine. Despite this, only one business accessed the credit—IDEXX Laboratories, Inc. Consequently, \$24M in refundable income tax credit was left unused when the window for qualifying investment closed on December 31, 2022.

The Sole Credit User Invested a Total of \$72.5M to Expand Its HQs and Has Met Job Growth Requirements

Along with \$40M in qualified investment, IDEXX invested another \$32.5M, for a total investment of \$72.5M to expand its HQ facility in Maine. Requirements for job growth have been met to date, with 325 employees added so far. To claim the full amount of HQ Expansion Credit, IDEXX will need to continue to grow its Maine employment by another 475 new hires by the year 2030—for a total of 800 new jobs—and will have to maintain that level of employment through 2040. OPEGA notes that it is unclear how the HQ Expansion Credit may have impacted the timing, magnitude, or nature of the company's investment or employment, because many factors influence business decisions, and the relative importance of incentives like this credit among other factors is often not visible from outside the company.

Recommendations from OPEGA's Evaluation

Because the period for qualifying investment under the HQ Expansion Credit has passed, no future applications for the credit are expected. Consequently, OPEGA did not consider opportunities to improve the application and approval process. Instead, our recommendations focus on how design of similar future incentives might be improved and how ongoing data collection could better support oversight.

Recommendations for Legislative Consideration

- 1 The Legislature May Want to Consider Other Tools for Providing Incentives to Single Entities in the Future
- 2 The Legislature May Want to Consider Approaches to Increase Transparency Around Use of Multiple Incentives