

## **OPEGA Research Expense Credit report conclusions and recommendations March 2022**

### **Overall Conclusions In this evaluation OPEGA found that:**

- Research supports the idea that increasing innovation is an economic driver, but the ability to understand the specific impacts of Maine's R&D credit on the State economy is limited by the lack of readily available data.
- Other data available on R&D in Maine generally demonstrates that the State has performed poorly over time on R&D even as Maine's credit has remained available.
- R&D credits are common in states (70%) and typically built on the structure of the federal R&D credit.
- While having an R&D Credit in the toolbox of options to support Maine businesses may make sense in light of similar credits in other states, research points to other factors that may be more important in attracting R&D to Maine.
- The incremental structure and limitations of Maine's credit exclude some businesses conducting R&D from participating in the credit, but there may be reasons for policymakers to support these limitations. Complexities in the federal credit, upon which the State credit is based, may also create uncertainty for businesses and hinder take-up of the credit.

### **Recommendations**

OPEGA makes three recommendations for the Legislature's consideration. We recommend that the Legislature, in consultation with State agencies and other stakeholders where appropriate:

1. Review and memorialize the R&D credit's goals, intended beneficiaries, and how success is defined in terms of outcomes for the credit;
2. Amend the design of the R&D credit as needed to ensure that intended beneficiaries can access the credit; and
3. Determine what data is needed for effective oversight of the R&D credit and make changes to statute or practice, as needed, to ensure the necessary data is readily accessible.