



**Testimony by Christopher Roney, Esq.
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In Support of L.D. 1974

An Act to Reauthorize Maine’s New Markets Tax Credit Program

January 9, 2024

Joint Standing Committee on Taxation

Senator Grohoski, Representative Perry, and Distinguished Members of the Joint Standing Committee on Taxation:

My name is Chris Roney. I am the General Counsel at the Finance Authority of Maine (FAME). I live in Freeport and am testifying today in support of L.D. 1974, *An Act to Reauthorize Maine’s New Markets Tax Credit Program*.

We appreciate Senator Stewart’s and the various cosponsors’ support for reauthorizing the program and making updates and changes to its operation.

FAME is a quasi-independent state agency celebrating our fortieth anniversary that provides financial solutions that help Maine people achieve their business and higher education goals. Our vision is to help create a Maine workforce with good paying jobs by focusing on the nexus of economic and educational development.

This bill would amend the Maine New Markets Capital Investment Program and the New Markets Capital Investment Income Tax Credit, currently administered by FAME in conjunction with Maine Revenue Services, to establish new tax credit authority for tax credits allocated on or after January 1, 2024 (as amended). The bill also establishes an application process for community development entities (CDEs) recognized as Maine funds and “diverse Maine funds” to receive an allocation of tax credit authority. The limit on the amount of investment authorized for possible tax credits is unchanged at \$250 million overall, with an annual limit of \$20 million in tax credits for any one fiscal year.

Maine’s version of a New Markets Tax Credit Program, modeled after the federal program, was enacted by the Legislature in 2011. The program currently provides a thirty-nine percent tax credit over seven years for investors who make qualified investments in low-income community businesses via a qualified CDE. An allocation of tax credits may be provided for businesses that invest in “qualified community

development entities.” The credit may not be taken in the first two years after investment. “One-day loans” are prohibited pursuant to statute and rule. The maximum aggregate amount of tax credit authority is set forth at \$250 million, and the amount of tax credits claimed per fiscal year is limited to \$20 million. In FY 22, FAME issued a total of two credits totaling \$1,099,886.23 through this program. In FY 23, FAME issued no credits under the program. As of June 30, 2023, approximately \$1.5 million of investments (approximately \$500,000 in tax credits) remained available to be certified/awarded under the program. Under the first round of funding, seventeen Maine businesses received investments totaling approximately \$248 million.

In our view, the program overall has largely been successful and effective at growing Maine’s economy. The program is designed to attract investment in Maine’s low-income areas and has spurred millions of dollars in out-of-state and in-state investments in doing so. Examples of successful investments approved by FAME under the program include: St. Croix Tissue; ND Paper; Millinocket Library; Athens Energy Biomass Facility; Baxter School; Brunswick Landing; Arctaris Saddleback Company, LLC.; MedRhythms, Inc.; Putney; Quoddy; and Molnlycke Mfg. US, LLC.

The bill would make some other changes to the program, which we support. It would shorten the period, from twenty-four months to six months after receipt of the notice of allocation of the tax credit authority, by which a CDE must issue the equity investments or debt securities and receive cash in the total amount of tax credits authorized. Another change proposed to the tax credit would be to shorten the time from twenty-four months to twelve months after issuance of the qualified equity investment (QEI), by which a CDE must invest at least 85% of the purchase price of the QEI in qualified low-income community investments before recapture of the credit is allowed.

This bill also makes changes to integrate impact qualified equity investments into the existing provisions governing the eligibility for an allocation of tax credits under the program. The amount of impact qualified equity investments would be \$30 million, which may be made in exchange for tax credits, to be invested in historically disadvantaged groups located anywhere in this state. Fifty percent of impact qualified equity investments must be reserved for diverse Maine funds, which are community development financial institutions (CDFIs) that have their principal place of business in this state and are more than 50% owned and controlled by individuals who are racial or ethnic minorities or members of a federally recognized Indian nation, tribe or band in this state or are governed by a board of directors more than 50% of which are individuals who are racial or ethnic minorities or members of a federally recognized Indian nation, tribe or band in this state. The maximum amount of an investment made with a QEI by a qualified CDE in a qualified active low-income community business is \$5 million.

As you may recall, there was some controversy back in 2015 regarding “one-day loans,” which resulted in FAME modifying the program rules and seeking legislation to bar such loans. It also resulted in a review of the program by the Office of Program Evaluation and Government Accountability (OPEGA). Their report was issued in March of 2017 and I would encourage you to read it [1571 \(maine.gov\)](#). We largely agreed with

the findings and recommendations in the report, which found, among other things, that the program has increased investments in Maine businesses and generated other positive outcomes. The issue of “one-day loans” has been addressed in statute and program rule (rule amendment became effective November 9, 2015) and has not been an issue since. We would be happy to provide further information about that matter or about the program’s functioning overall at the work session.

We have some technical suggestions related to some of the specific language and definitions in the bill, but we are confident those can be addressed in cooperation with stakeholders before the work session.

Thank you for your consideration of my comments and I will be happy to answer any questions.