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To: Sen. Nicole Grohoski and Rep. Joe Perry, co-chairs
Members, Committee on Taxation

From: David R. Clough, State Director in Maine

Re: LD 1891 – An Act to Support Maine Businesses Through a Child Care Tax Credit and a Pass-through Entity Tax

This statement in support of LD 1891 is on behalf of the thousands of small business owners in Maine who are members of the National Federation of Independent Business. NFIB members are located throughout Maine and are engaged in a wide range of business activities. They collectively provide paychecks to about 30,000 families and represent the backbone of communities and the State of Maine.

LD 1891 will allow pass-through entity (PTE) owners to voluntarily elect to be taxed at the entity level, which would lower the federal taxable income of shareholders/members/partners. LD 1891 would also establish a childcare tax credit for the pass-through entity to help support the childcare needs of its employees. Numerous other states have enacted a PTE tax and passage of LD 1891.

It is important to note that LD 1891 would create a voluntary tax. NFIB does not support making the tax mandatory. Also, making the childcare tax credit refundable would be important to helping businesses that may not have sufficient taxable income for a tax credit offset but nevertheless have employees whose childcare needs the business would like to support. (There are a variety of situations that may cause the business to not have sufficient offsetting taxable income, and a refundable credit would make the use of the credit more reliable for affected employees.)

We understand there may be some concerns and wrinkles in how an elective PTE tax may work in Maine but urge Committee members to work with interest parties to address those issues in a way that works for small business owners who have Maine pass-through entities.

Again, NFIB supports an elective but not mandatory tax and urges that the credit be refundable.

Thank you for being mindful of Maine small business owners and how they help make our state prosper.