

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *April 9, 2025*

LD 1275 – “*An Act to Promote the Production of Natural Resources Bioproducts
by Amending the Renewable Chemicals Tax Credit*”

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1275, “*An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit.*”

The bill amends the Maine renewable chemicals tax credit law to remove the requirement that the taxpayer demonstrate to the Department of Economic and Community Development (DECD) that at least 75% of the employees of the contractors hired or retained to harvest renewable biomass used in the production of the renewable chemicals meet the eligibility conditions specified in the Employment Security Law.

For tax years beginning on or after January 1, 2021, a taxpayer engaged in the production of renewable chemicals is allowed a credit in the amount of 8¢ per pound of renewable chemicals produced. The credit may only be used to reduce the Maine income tax imposed on income derived during the taxable year from the production of renewable chemicals. Unused credit amounts may be carried forward for up to 10 years.

The credit has not been claimed, potentially due to the requirement concerning the eligibility conditions specified in the Employment Security Law that this bill would remove, which may allow some companies to become eligible for the nonrefundable credit.

The Administration notes that the bill should contain an application date.

The preliminary estimated administrative costs are nominal and can be absorbed within the current budgetary allotments.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.