Testimony of Jim Rogers, President and CEO of ProInfoNet
In Support of LD 191: An Act to Support Maine Businesses by Establishing a Pass-through Entity Tax and Tax Credit
Before the Joint Standing Committee on Taxation
April 2025

Good afternoon Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation.

My name is Jim Rogers, and I'm the President and CEO of ProInfoNet, a small, Maine-based, family-owned technology company with 28 employees, that has supported healthcare and rural broadband connectivity for nearly 30 years. We help more than 600 healthcare sites across the state maintain the critical network and internet infrastructure they need to deliver care and operate efficiently. We also provide broadband consulting to communities across Maine, from Greater East Grand to Fryeburg, and from South Portland to Aroostook County, to help them design and implement network solutions that connect their residents, businesses, and institutions to opportunity. We are proud to be a Maine company dedicated to serving Maine communities for the past 29 years.

The Pass-Through Entity Tax and Tax Credit (PTET) within LD 191 represents a simple and smart fix that supports Maine's small businesses, who are already navigating an increasingly complex and costly federal tax landscape. Like many Maine companies organized as S corporations, we are still grappling with the impact of the 2017 federal Tax Cuts and Jobs Act, which capped the deduction for state and local taxes at $10,000 and added challenges through changes to Section 174 of the tax code.

The SALT cap disproportionately hurts small businesses like mine, where owners pay state income taxes on business profits through their personal returns. LD 191 gives us a workaround that the IRS has explicitly allowed, shifting the tax to the entity level, where it becomes federally deductible.

But I also want to underscore why this matters even more to technology businesses in Maine right now.

Due to TCJA changes in how Section 174 expenses must be treated—specifically the requirement to amortize Qualified Research Expenses (QREs) over six years—my company saw a dramatic and unexpected increase in taxable income in both our federal and Maine tax returns.

Even worse, Maine compounded this burden by treating those federal QRE adjustments as income (the same way that the federal government does), not as the operating expenses they actually are.

As a result, our State of Maine income tax rate over the past two years was not within the current graduated tax brackets of 5.8% to 7.15% — it was in fact 17.7% in 2022 and 14.2% in 2023 . That's a staggering penalty for a business like mine that's doing what the State of Maine says it wants: investing in technology R&D, creating jobs, and serving public-good sectors.

The Pass-through Entity Tax and Tax Credit won't undo all of these issues, but it is an immediate and effective tool that helps restore some balance. It lets Maine businesses deduct more of their state tax at the federal level, making up for some of the lost deductions and surprise liabilities that TCJA tax policy changes have imposed in recent years.

Importantly, this is an optional mechanism. No business is forced to use it. And it can actually generate more net revenue for the State, while still delivering federal tax relief to small businesses.

Thirty-six states have already acted. It's time for Maine to catch up—and to give its small businesses a fair shot in an already extremely difficult tax environment.

I urge you to give LD 191 your full support, and I thank you for your time and consideration.

I would be happy to answer any questions you may have.