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

From: David R. Clough, State Director in Maine

Re: LD 191 – An Act to Support Maine Businesses by Establishing a Pass-through Entity Tax and Tax Credit

This statement in support of LD 191 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 191 will allow pass-through entity (PTE) owners (shareholders or partners) to voluntarily elect to have the income taxed at the entity level. As described in the summary for LD 191: “The effect of this is to allow a member of a pass-through entity a credit of 90% of the member’s share of Maine income taxes paid as a pass-through entity.”

Most pass-through entities are small businesses, according to U.S. Census Bureau data (County Business Patterns by Legal Form of Organization).

<https://data.census.gov/table?q=CBP2022.CB2200CBP&g=040XX00US23>

A 2017 report from the Tax Foundation shows, for example, that Maine ranks 6th in the nation for percentage of payroll attributable to S Corporations and 8th for percentage of employment (NFIB Maine calculations).

<https://taxfoundation.org/research/all/federal/pass-through-businesses-data-and-policy/>

Numerous states have enacted an elective PTE tax similar to that being proposed here. Thus, LD 191 is a very important proposal that will help Maine small businesses be competitive with entities in other states – and help Maine small businesses be nimble in adjusting to the financial challenges of being successful.

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