

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

Before the Joint Standing Committee on Education and Cultural Affairs  
Hearing Date: *April 24, 2025*

LD 1627 – “*An Act Regarding Workforce Development, Education Reform and Talent Retention*”

-----

Senator Rafferty, Representative Murphy, and members of the Education and Cultural Affairs Committee – good afternoon, 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 Against LD 1627, “*An Act Regarding Workforce Development, Education Reform and Talent Retention.*”

This testimony is limited to Section 10 of the bill as it affects taxation and Maine Revenue Services (MRS). The bill requires the Department of Education to coordinate with MRS to develop the following employer tax incentives for workforce investments. MRS’ role in developing these incentives under LD 1627 is unclear.

- 1) A student loan assistance tax credit for employers that offer student loan repayment assistance to Maine-based employees. The credit is equal to 50% of the contributions, capped at \$2,500 per employee annually. The employer assistance must reduce the employees’ principal and interest on student loans and be conditioned upon a 2-year retention agreement.
- 2) A child care support tax credit for employers that provide on-site child care or subsidies for employees. The credit is equal to 30% of the child care

program costs, capped annually at \$2,000 per employee, or \$10,000 per facility, whichever is less.

- 3) A cultural and recreational investment tax credit for employers that contribute to local amenities, such as parks, community centers and recreational facilities. The credit is equal to 25% of the direct contributions made, up to \$25,000 annually.
- 4) A “stay and grow” tax credit that provides a graduated tax credit for a person employed in a high-demand field who remains in the state for at least 5 years. The credit must increase over time to reward longer commitments and must prioritize employment in designated industries or rural areas facing workforce shortages.

The bill also requires the Department of Education to submit a report to the Education and Cultural Affairs Committee detailing its progress on this legislation, including suggested legislation to implement the initiatives described in this bill no later than December 3, 2025. This date may not be feasible, given the likely effective date of legislation enacted this session.

Maine already has numerous income tax credits, many refundable, to assist workers and employers – some of which overlap with the incentives LD 1627 directs DOE and MRS to develop.

For example, qualified individuals may claim the refundable student loan repayment tax credit (“SLRTC”) under Title 36, Section 5217-E. The SLRTC provides up to \$2,500 annually for eligible student loan payments made directly to the lender. In 2022, for tax years beginning on or after January 1, 2022, the Educational Opportunity Tax Credit (EOTC) program was replaced by the Student Loan Repayment Tax Credit (SLRTC) program to simplify and eliminate ambiguity associated with the earlier program for taxpayers and employers. The

repeal of the EOTC program included the elimination of the employer loan repayment tax credit.

Also, individuals with qualifying dependents may claim the child care credit under Title 36, Section 5218. The child care credit is equal to 25% of the federal credit for child and dependent care expenses. The credit doubles if the expenses are related to a quality child care provider. The child care credit is refundable up to \$500.

In addition, LD 203 and LD 1555, also introduced this session, propose new tax credits for employer-supported child care services.

The preliminary estimated fiscal impact is negligible.

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

The Administration looks forward to working with the Committee on the bill.