

**TESTIMONY OF  
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Housing and Economic Development  
Hearing Date: *May 9, 2025*

LD 1812 – *“An Act to Provide Low-interest Loans for Accredited College Graduates Entering Trade Professions and an Employer Tax Credit for Trade Tool Reimbursements”*

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Senator Curry, Representative Gere, and members of the Housing and Economic Development 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 Against LD 1812, *“An Act to Provide Low-interest Loans for Accredited College Graduates Entering Trade Professions and an Employer Tax Credit for Trade Tool Reimbursements.”*

This testimony is limited to the bill as it relates to administration by Maine Revenue Services (MRS) of the proposed employer tax credit. For tax years beginning on or after January 1, 2026, the bill proposes a new income tax credit for employers that are certified by the Finance Authority of Maine (FAME) and that make a qualified reimbursement. A qualified reimbursement is the amount paid by the employer to an eligible employee or directly to a vendor for the purchase of trade tools for an eligible employee within the first year of employment.

The credit is equal to 25% of the employer’s certified qualified reimbursement, up to \$5,000 per eligible employee. An eligible employee must be a graduate of an accredited college who has completed a degree or certificate program in a trade profession. The credit is nonrefundable and may not be carried

forward. Furthermore, the credit is not allowed for the purchase of trade tools for which the employee has received a loan or forgiveness of a loan under the Loans for Trade Tools Program (see Title 10, chapter 110, subchapter 15).

The bill as written is not practical to administer, lacks sufficient standards for certification of expenses, and leaves unclear the effect of certification and general tax compliance review and adjustment. For example, the employer credit for the payment of its employees' trade tools within the first year of employment may not be allowed for an employee who receives a loan or forgiveness of a loan pursuant to the Loans for Trade Tools Program. However, loan forgiveness is contingent on at least 5 years of full-time employment within the borrower's trade. Recapture provisions after five years would be difficult to administer. Ultimately, implementation of this credit would likely impose a significant administrative burden on employees, employers, FAME, and MRS.

Additional technical concerns include, but are not limited to, the following:

- The bill should be amended to consolidate in Section 2 of the bill all elements needed for qualification and calculation of the credit, and to consolidate in Section 1 of the bill those elements relating only to certification of the employer.
- The definitions in Section 2 of the bill for "accredited college" and "trade tools" should be deleted as those definitions relate to certification and already appear in Section 1 of the bill.
- Proposed 36 MRSA § 5217-G(2) in Section 2 of the bill should be amended to delete the term "qualified reimbursements" and instead utilize the term "certified employer." The term "certified employer" should be defined to mean an employer that has received a certificate

of credit eligibility from FAME for the taxable year under 10 M.R.S. § 1100-HH(6).

- Section 1 of the bill should be amended to require the credit certificates issued by FAME to:
  - Be issued timely to facilitate the timely filing of tax returns.
  - Require that copies of certificates be provided to MRS for confirmation of eligibility.
  - Include relevant taxpayer and reimbursement information (e.g., taxpayer name and federal employer identification number, eligible reimbursements issued during the employer’s tax year).
- For purposes of certification, the bill should be amended to define the term “trade profession” in Section 1 of the bill.
- The bill should clarify whether more than one employer may claim the credit for the same eligible employee.
- The last sentence in proposed 36 MRSA § 5217-G(2) should either be deleted or clarify whether the credit may be carried back to prior tax years.

Consideration should also be given to setting a maximum credit cap per employer.

Finally, it is worth noting that the rise in income tax credits is causing increasing administrative burdens, which could be exacerbated by the additional credits being contemplated. Given the number of returns affected, a grant program administered by FAME would be more efficient.

The preliminary estimated fiscal impact is not available at this time.

The preliminary estimated administrative costs are under review. One-time computer programming and related systems testing costs are required to add an

additional line to the individual, fiduciary, composite, and corporate income tax returns, and franchise tax returns to accommodate the credit.

Members of Maine Revenue Services are available for the work session if requested for working with the Committee on the bill.