

**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: *May 16, 2025*

LD 1951 – “*An Act to Promote Food Processing and Manufacturing Facility  
Expansion and Create Jobs*”

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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 1951, “*An Act to Promote Food Processing and Manufacturing Facility Expansion and Create Jobs.*”

The bill proposes the following changes to the income tax credit for major food processing and manufacturing facility expansion:

- 1) Repeals the requirement that the qualified applicant’s headquarters be located in Maine.
- 2) Extends the time by which the applicant must employ or will employ at least 40 full-time employees based in the State from “upon start-up” to within 12 months of start-up of the facility.
- 3) Extends the time by which a qualified investment must be made by three years to December 31, 2027.
- 4) Increases the aggregate value of certificates of approval that may be issued by the Maine Department of Economic and Community Development (DECD) from \$100M to \$200M and increases the cap on any individual certificate of approval from \$85M to \$100M.

- 5) Removes the credit limitation disallowing the credit for any tax year following two consecutive tax years during which the certified applicant's ordinary business income was not between \$5.5M and \$12M.
- 6) For each tax year beginning on or after January 1, 2027, increases the credit amount from 1.8% to 2% of the certified applicant's qualified investment.
- 7) Relaxes the requirement that the annual income of at least 75% of the taxpayer's employees exceeds the most recent annual per capita personal income in the county in which the facility is located to apply only to 75% of those employees who have been employed for at least 12 months.

The refundable credit for major food processing and manufacturing facility expansion was first available for qualified applicants certified by DECD in 2022. Currently, the total value of certificates of approval that may be issued by DECD is limited to \$100M, while the individual certificate of approval value is limited to \$85M. At the time of certificate application, the applicant must have headquarters located in Maine for each of the last 5 years, intend to make a qualified investment in Maine within 5 years, employ at least 40 full-time, Maine-based employees upon start-up, and compensate at least 75% of their employees with wages exceeding the county's annual per capita personal income.

A qualified applicant that has been certified by the DECD is eligible for an annual refundable credit equal to 1.8% of the qualified applicant's investment in a food processing and manufacturing facility. A qualified investment does not include an expenditure made prior to April 1, 2019 or after December 31, 2024. The credit may be claimed for 20 years beginning with the first full tax year after the certificate of completion is issued.

The Administration notes that the bill should specify when and how the changes to the credit apply, including their impact on currently certified businesses. Further, a newly eligible business might qualify for both the Dirigo and Food Processing Credits.

The Administration also notes that the \$30.6 million credit limit per certificate was not repealed or changed despite the increase in the credit rate and maximum investment per certificate. The \$30.6 million limit was established so a taxpayer with the maximum allowed investment could receive a full credit in each of the 20 years. Under this proposal, a taxpayer making the maximum investment gets 15 years of max credit and one year of a partial credit.

The preliminary estimated fiscal impact is an annual revenue loss of \$1.8 million per year.

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; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.