



Testimony in Opposition of LD 713:

“An Act to Exclude Data Centers from the Business Equipment Tax Exemption and Dirigo Business Incentives Programs and to Require the Maine Department of Economic and Community Development to Study Financial Incentives for Data Centers”

Senator Grohoski, Representative Sayre, and distinguished members of the Joint Standing Committee on Taxation, my name is Montana Towers, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in opposition to LD 713, “An Act to Exclude Data Centers from the Business Equipment Tax Exemption and Dirigo Business Incentives Programs and to Require the Maine Department of Economic and Community Development to Study Financial Incentives for Data Centers.”

This bill would exclude data centers from the Business Equipment Tax Exemption and the Dirigo Business Incentives Program while leaving those programs available to other industries. While the proposal may be intended to address concerns about the development of data centers in Maine, it raises serious concerns about fairness, economic competitiveness, and the appropriate role of government in the marketplace.

Government Should Not Pick Winners and Losers

One of the largest problems with LD 713 is that it singles out one industry and removes access to programs that remain available to other businesses. Public policy should strive to create a neutral economic environment where businesses succeed or fail based on innovation, productivity, and market demand, not based on whether the government chooses to treat their industry differently. When lawmakers selectively exclude one sector from broadly available programs, they move away from neutral tax policy and toward a system where the government determines which industries deserve support.

Lawmakers created the programs like the Business Equipment Tax Exemption and the Dirigo Business Incentives Program to encourage economic investment across Maine. Removing a single industry from eligibility undermines the neutrality of these programs and sets a troubling precedent for future economic policy decisions.

From a broader policy perspective, MPI has long opposed the use of targeted tax incentives and subsidies as a tool of economic development. Rather than offering government directed incentives, lawmakers should focus on deregulation and creating an overall competitive economic environment by lowering taxes and controlling government spending. However, if the state does choose to maintain incentive and



subsidy programs it is essential that those programs operate on a neutral basis. If policymakers believe these programs require reform, those reforms should be applied broadly and consistently across all industries. The government should not selectively exclude certain businesses simply because lawmakers disfavor them. Doing so undermines fairness, distorts the free market, and sends the message that economic policy in Maine is determined by political preferences and not consistent economic principles.

Studying Incentives After Removing Them Creates Uncertainty

LD 713 also directs the Department of Economic and Community Development to study potential financial incentives for data centers. However, the bill removes data centers from existing programs before that study occurs. This approach creates unnecessary policy instability. If lawmakers believe more information is needed regarding data centers and economic development incentives, that analysis should occur before removing access to existing programs. Businesses considering major investments in Maine should not have to navigate shifting policy frameworks or uncertainty about the state's economic development strategy.

Maine Should Encourage Investment in Emerging Industries

Data centers represent an important component of modern infrastructure. As more businesses, hospitals, financial institutions, and government services rely on digital systems and cloud computing, the demand for secure data storage and processing capacity continues to grow.

Rather than discouraging investment in emerging technology infrastructure, Maine should focus on creating an environment that welcomes innovation and economic development. These facilities often require large upfront capital investments and can generate significant local economic activity through construction, maintenance, and long-term employment opportunities.

Policies that make Maine less competitive for these types of investments risk pushing economic opportunities to neighboring states that are actively working to attract them. LD 713 sends the message that Maine does not welcome these types of investments or the businesses that drive the modern digital economy.



Conclusion

A strong and competitive economy depends on tax and economic policies that are predictable, consistent, and applied fairly across industries. LD 713 departs from that principle by singling out one sector and removing access to programs that remain available to other businesses. Maine's economic development policies should focus on creating a level playing field where businesses succeed based on their ability to invest, innovate, and create value, not on whether their industry has been selected for different treatment under the law.

For these reasons, Maine Policy Institute strongly urges this committee to vote "Ought Not to Pass" on LD 713. Thank you for your time and consideration.