

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

Before the Joint Standing Committee on Taxation
Hearing Date: *March 11th, 2026*

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 members of the Taxation 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 Neither For Nor Against 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 testimony pertains to the proposed sponsor amendment for the LD 713 concept draft. The amendment excludes data centers from eligibility under the business equipment tax exemption (BETE) program that begin operations on or after July 1, 2026, and excludes data centers from the Dirigo business incentives program.

The amendment requires the Maine Department of Economic and Community Development to study potential financial incentives that a data center may benefit from based on current State laws. The Department must submit a report to the joint standing committee having jurisdiction over taxation matters no later than November 4, 2026.

The Business equipment tax exemption, or “BETE”, exempts certain business equipment placed in service in Maine after April 1, 2007, from the property tax. Under 36 M.R.S. § 691, certain persons and certain classes of property are excluded from eligibility under BETE.

The Dirigo business incentives program tax credit (DTC) is available, for tax years beginning on or after January 1, 2025, to qualified businesses engaged in qualified business activities in the State that invest in eligible business property or qualified employee training programs. Under current law, data processing is a qualified business activity.

To qualify, businesses must be certified by the Maine Department of Economic and Community Development. The DTC is equal to five or ten percent of the business’s eligible capital investment placed in service in Maine, depending on the location of the qualified property, plus \$2,000 for each qualified employee that completes a qualified employee training program during the tax year. Currently, there are no Maine laws that exclude data centers from the DTC.

The Administration wishes to note several significant technical concerns with the bill as drafted that would impact taxpayers and tax administration. The most notable of these concerns is the bill’s definition of “data center”. The current definition has broad application and is likely to include substantial economic activity that is already present in the State that would not be considered “data centers” in the common vernacular. It is unclear if this is the intent of the bill. For comparable policies, other states generally have definitions based on electricity consumption. See the Appendix for details on the bill’s other technical concerns.

The bill’s revenue impact has not been estimated. The bill’s administrative costs pertaining to the BETE program are unknown at this time but would likely

incur minor programming costs. Estimated administrative costs pertaining to the Dirigo business incentives program 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.

Appendix:

- Section 1 of the amendment incorrectly cites to the statute. It should be cited as 36 MRSA §691, sub-§1, ¶B.
- The definitions of “data center” in Section 2 and Section 3 of the bill should be clarified as to scope.
- The phrase “begins operations” in the new sub-¶7, is unclear and should be defined.
- The proposed location within the statute for the new language is in a subparagraph dealing with excluded persons. A data center is not a person, and the proposed subparagraph should instead be relocated to 36 M.R.S. § 691(1)(A), which deals with excluded property.
- The amendment does not contain an application date relative to the exclusion of data centers from the DTC program. It is unclear as to whether the exclusion applies retroactively or prospectively.