

Testimony in Opposition to LD 1974 An Act to Reauthorize Maine's New Markets Tax Credit Program

January 9, 2024

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy. I am here today to testify in opposition to LD 1974. As we have testified many times before, public resources should be allocated to advance the public good. Investments in education, health care, and infrastructure, for example, work to help families and communities meet their full potential and strengthen Maine's economy. Business tax giveaway programs like the state New Markets Tax Credit are not a wise or effective use of Maine taxpayer dollars, and there are many other needs in our state that should come first.

This bill would authorize \$30 million in additional tax credits for the New Markets tax credit program. The New Markets program provides refundable tax credits to private investors in exchange for investment of capital in projects through community development entities in qualified low-income communities.

The New Markets program has a fraught history. It first came under scrutiny when Cate Street Capital used investments in the East Millinocket Paper Mill as a cover to extract money from the state without providing any benefits. The mill subsequently shuttered while out of state investors continued to receive millions of dollars in payments of Mainer's tax dollars.¹ To address this investor exploitation of the New Markets program, FAME adopted an emergency rule prohibiting one day loans and limiting the amount of the credit that can be used for debt. This loophole cost Mainer's millions of tax dollars.

More recently the New Markets program has continued to give out Maine taxpayer dollars to wealthy investors who subsequently pulled out of their projects. In Old Town, a company owned by one of the wealthiest families in the world decided to purchase and invest in the mill. Nine Dragons Paper received \$12 million in New Markets tax credits, with additional financing for a total investment of \$31.8 million, in addition to also participating and receiving benefits from the Pine Tree Development Zone program. Just a few years later, the mill was shuttered and almost 200 jobs were lost. Investments like these are not good use of tax dollars, and this is money that should be used to deliver long-term benefits and jobs to communities and workers, not to the short-term benefit of the bottom line of out-of-state investors.

In addition, there are numerous other programs that exist to encourage investing in Maine businesses:

- just a few years ago, the legislature tripled the size of the Seed Capital Tax Credit Program
- the federal New Markets program provides much greater benefits than the proposed state program (recipients of the state credit must also participate in the federal program in order to qualify for the state program)
- last session, the legislature passed a \$50 million per year tax credit for businesses making capital and workforce training investments
- there are millions more in targeted tax breaks given away to businesses each year

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- Maine Venture Fund was established by the Legislature in 1995 to make capital investments directly into Maine businesses

As you can see, there are many other state programs that already fulfill this same purpose that this bill is asking you to spend \$30 million more public dollars on. We don't know the extent to which businesses stack these benefits and already use multiple at once because we don't have transparency on which businesses are participating, which is why I would urge you to support other bills this session that would create greater business tax expenditure transparency. The public deserves to know what is being done with their tax dollars and who is receiving them. It's unfair to Mainer taxpayers and small businesses when big, profitable businesses keep coming back to put their hand in the cookie jar without accountability for what they have already taken.

We strongly suggest instead of giving away public money that will go toward tax credits for wealthy investors that you instead invest directly in these communities themselves. You could instead give more money to FAME for low interest loans to businesses, or more money for entrepreneurial support services that help people who don't come from a business owning background, rather than giving Maine taxpayer dollars to already wealthy investors looking to swoop in, extract profits and wealth from our state and communities, and then leave without regard to the long-term consequences or costs of such actions. Give the money to people who are invested in their communities and who are there to stay and contribute to their vibrancy long term. Instead of providing supports to wealthy investors and big businesses with little to no accountability, we should be targeting supports to small Maine businesses that are the heart of our downtowns.

Thank you for your time and I would be happy to answer any questions.

Contact information: maura@mecep.org

¹ Richardson, Whit. "Payday at the Mill." Portland Press Herald. 19 April 2015.
<https://www.pressherald.com/2015/04/19/payday-at-the-mill/>

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