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2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1440
TTY: (207) 287-4469

John “Jack” E. Ducharme III

34 Heald Street
Madison, ME 04950
Cell: (207) 431-0775
Jack.Ducharme@legislature.maine.gov

Testimony in Support of LD 1891 An Act to Support Maine Businesses Through a Childcare Tax Credit and a Pass-through Entity Tax

Honorable Senator Grohoski, Representative Perry, and distinguished members of the Joint Standing Committee on Taxation. I am State Representative Jack Ducharme, and I am honored to represent House District 71 which includes Cornville, Madison, and Norridgewock. Today I am writing in support of LD 1891, "An Act to Support Maine Businesses Through a Childcare Tax Credit and a Pass-through Entity Tax." I applaud Majority Leader Terry, Representative Millett, and the Manufacturers Association of Maine, amongst many others, who put together a self-funded tax bill helping the backbone of Maine's economy, our small businesses.

First, allowing small businesses to be taxed at the entity level makes sense. As evidence of that, take a quick look around the country. According to the Journal of Accountancy, "as of May 31, 2023, 36 states had enacted a PTET." Why has nearly every state with an income tax passed this provision? Because it lowers the federal tax liability of small businesses, while increasing state revenues. To be clear, this lowers the overall tax liability of small businesses.

In my opinion, not passing this legislation puts Maine small businesses at a competitive disadvantage with their competitors. This is not a partisan issue. It is the law in states as different as California and Louisiana. In many states late to the game, like Maine, lawmakers have even made it retroactive, creating a financial boost for both businesses and the state.

The second part of this bill is a Childcare Tax Credit. As a commercial realtor and a banker, I talk to businesses all the time. As you all know, access to workforce is a recurring theme. Study after study shows that access to affordable childcare presents an opportunity for individuals who have been "sidelined" to reenter the workforce.

As proof of this, and in an effort of bipartisanship, a recent study from the center left think tank, the Center for American Progress says,

(W)omen—who are significantly more likely to be the primary providers of childcare in the home—are particularly burdened by the lack of affordable

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and accessible childcare, which hinders their full participation in the labor force. A recent survey of childcare by the U.S. Chamber of Commerce showed that 27 percent of all people who are not working say they are not looking for work because they need to provide care at home, with the proportion jumping to 36 percent among just women.¹ A comprehensive literature review of academic studies on the relationship between child care and parental labor force participation found consistent evidence that reducing the price or increasing the availability of child care increases maternal employment.²

LD 1891 proposes a tax credit for businesses to expand access to childcare. Unlike previous tax credits, this one provides employer flexibility. Instead of requiring on-site childcare, it allows the business to partner with childcare providers in the community. That is good news as many of these businesses are not interested in getting into the childcare business. They understand that it is best to leave childcare to the childcare professionals. This means a business can partner with the local Boys and Girls Club or support a private individual offering childcare in their home, or in any other state licensed venue.

The other thing this legislation does is to bring new financial resources to childcare providers. This tax credit incentivizes businesses to bring new, private sector dollars, to greatly increase the funds available to support childcare access.

Given the current situation with the lack of affordable childcare, to me, this bill is an easy decision. We must use every tool in our tool belt to meet the childcare needs of Maine people. I hope you will join me in supporting it today.

Thank you for your time,

Jack Ducharme
Maine House District 71
Madison, Norridgewock, Cornville

¹ Sports & Leisure Research Group, "A Current Snapshot of Those Unemployed During the COVID 19 Pandemic" (Washington: U.S. Chamber of Commerce, 2022), available at <https://www.uschamber.com/assets/documents/Pandemic-Unemployed-Survey-May-2022.pdf>.

² Taryn W. Morrissey, "Childcare and parent labor force participation: a review of the research literature," *Review of Economics of the Household* 15 (2017): 1–24, available at <https://doi.org/10.1007/s11150-016-9331-3>.