

Manufacturers Association of Maine

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25 January 2024

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Senator Grohoski, Representative Perry, and distinguished Members of the Joint Standing Committee on Taxation, my name is Brad Hittle, President & CEO of American Rheinmetall Systems in Biddeford, and Vice Chair of MAME. I am testifying on behalf of the Manufacturers Association of Maine in support of LD 1891, "An Act to Support Maine Businesses Through a Child Care Tax Credit and a Pass-through Entity Tax."

When we provided testimony in front of this committee last May for LD 1726 (another childcare bill), we reminded everyone that there are approximately 1,880 Maine manufacturing businesses employing more than 56,700 Maine workers, with payrolls topping \$3.6 billion, representing 14.5% of weekly wages paid statewide. Manufacturers come in all shapes and sizes, from large employers like Bath Iron Works, to much more common sole proprietorships and small businesses with fewer than 20 employees. In point of fact, fewer than 200 of those almost 1900 manufacturers have more than 20 employees.

As proposed, LD1891 is uniquely designed to provide direct assistance to those small and medium-sized employers, all of whom are challenged with staffing below their desired levels. While certainly not specific to Maine, McKinsey and Company reports that "one in three moms are considering downshifting careers or leaving the workforce due to the lack of quality, affordable childcare"¹ which most certainly adds fuel to an already raging fire. As conceptualized, LD1891 seeks to give these very challenged entities the resources necessary to both retain their existing workforce, as well as attract those currently on the sidelines due to the lack of affordable childcare. Make no mistake. . . this bill is different. . . it does not require the development of an onsite childcare resource, but rather puts resources in the hands of the businesses to determine the best solution for their own stakeholders, be that an organized childcare facility, an individual in a private home, or a faith-based resource. . . provided the site is accredited by the State of Maine. We believe flexibility is the key to broad adoption, and the concept could truly not be much simpler.

MAME_LD 1891 testimony 012524

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¹ "Women in the Workplace", McKinsey and Company (2021), Rachel Lewis et al, pg. 7

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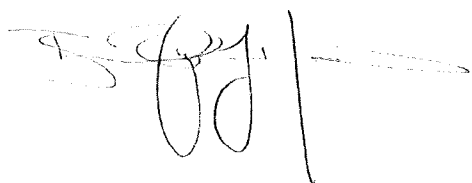
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The secondary goal of the effort is to make the initiative revenue neutral, so that the State of Maine does not need to divert resources from other important projects just to make childcare "go." The introduction of the pass-thru entity tax creates a mechanism that kills two birds with the same stone. . . it reduces the overall tax liability for participating companies, while at the same time bringing new revenue to the State of Maine to fund the childcare credit. As you have heard from other speakers before me, all but a few other states have taken an approach on a pass-thru entity tax as outlined in LD 1891. . . with many reporting higher than initially anticipated revenue generated. And while we recognize that the addition of this mechanism adds a measure of complexity to the current tax collection regimen, we also know that the same software just installed by Maine Revenue has been deployed in these other states as well, reducing the deployment risk to Maine, and shortening the learning curve for implementation.

Lastly, we are fully aware that we are not alone in our support for some kind of childcare solution that will benefit Maine's employers. We believe the grounding principles of our bill are very much in alignment with the goals of others, particularly LD 1222 proposed by Senator Stewart with support from the Maine State Chamber of Commerce. It is our sincere hope that the members of the committee will see the value in the overarching concepts and allow us to work together toward a common sense consolidation of the proposed bills that will assure support in the broader legislature. We stand ready to support that process and provide any and all assistance we can to get the final bill over the goal line.

On behalf of MAME's manufacturing membership, I ask that you support the tenets of LD 1891, and the many individuals, families and businesses it has the potential to positively impact.

A handwritten signature in black ink, appearing to be "S. Stewart", written over a horizontal line.

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