

**TESTIMONY OF TIMOTHY P. AGNEW
IN SUPPORT OF LD 125
AN ACT TO INCREASE THE TOTAL AMOUNT OF CREDITS AUTHORIZED UNDER
THE MAINE SEED CAPITAL TAX CREDIT PROGRAM
BEFORE THE JOINT STANDING COMMITTEE ON TAXATION
FEBRUARY 5, 2025**

Senator Grohoski, Representative Cloutier, Members of the Taxation Committee, my name is Tim Agnew of Portland. I am here today in support of LD 125.

By way of background, I have been an active advocate for the Maine Seed Capital Tax Credit Program from its inception in the mid-1980s when I was the CEO of the Finance Authority of Maine. I have been active in venture capital for the past 25 years, and have served on the boards of the Maine Venture Fund, the Maine Technology Institute, and the Portland Development Corporation. I am currently working with the Gulf of Maine Research Institute to raise a venture capital fund to invest in ocean-related businesses, and I recently served on the Governor's Blue Economy Task Force.

The Seed Capital Tax Credit was created to address the difficulty Maine businesses have in attracting the venture capital they needed to grow and create jobs. Early-stage businesses, particularly technology-based businesses, are high risk investments in their early years while they are developing their product and establishing their customer base. Venture capital fuels company growth through those early years.

From my experience with Maine's startup and venture capital communities over the years, I can tell you that this program works! It accomplishes its goal of helping to grow our innovation economy. The Maine Venture Fund, Maine Technology Institute and the Seed Capital Tax Credit Program are the three legs of the stool that supports the capital needs of high growth startup companies. All three programs work together synergistically to bring capital into the state, empower risk-takers and create jobs.

Before amendments to the Program approved by Legislature in 2020, there was only \$5 million in tax credit availability and FAME would have applicants lined up outside their office on the first business day of the year hoping to get an allocation of the credit. The increase to \$15 million in credit availability in 2021 solved the shortage of available credit that hampered businesses and frustrated investors.

Current law has the amount of the credit dropping back to \$5 million for calendar year 2027. At that level, demand would be greater than the amount of available credits and some businesses would be unable to use the program, holding back their growth. I am grateful to FAME and Senator Pierce for bringing this Bill before the Committee to increase the credit to \$10 million in 2027 and beyond. While I would prefer to see the amount of the credit restored to the \$15 million limit, \$10 million will be enough to cover the current level of annual demand with some room for growth. Based on FAME's historical numbers, \$10 million in tax credits could leverage total investment of more than \$100 million each year.

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

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