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STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



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Testimony of Phoenix McLaughlin

In support of LD 125

An Act to Increase the Total Amount of Credits Authorized Under the Maine Seed Capital Tax Credit Program

Senator Grohowski, Representative Cloutier, and members of the Committee on Taxation, my name is Phoenix McLaughlin, and I am the Director of Strategy Implementation at the Department of Economic and Community Development. I am here today to testify in support of LD 125.

The Maine Seed Capital Tax Credit Program is an important tool for growing Maine's economy. In fact, in the original Maine Economic Development Strategy published in 2019, one of the action items was explicitly to increase the credit cap for this program. The Legislature did so and has also made other improvements to eligibility in recent years to provide a better tool for new economic investment. The program has become a major driver in developing new businesses in Maine, contributing to a robust economy.

Maine's entrepreneurs are creative, driven, and capable of building innovative companies with the potential for national and global impact. However, securing the early-stage funding needed to turn ideas into successful businesses remains one of their biggest challenges. The Seed Capital Tax Credit has been a crucial tool in overcoming this obstacle, helping attract both local and out-of-state investors to Maine's emerging companies. The current cap of \$15 million has been enough to meet demand and begin to unlock Maine's potential as a hub for innovation and entrepreneurship. Current statute reduces the cap to \$5 million in 2027. This significant reduction in the cap risks slowing down the momentum that has propelled Maine forward in recent years. LD 125, if passed, would adjust the cap to \$10 million beginning in 2027. We believe this change will better allow continued growth for Maine companies.

Investing in Maine's economic ecosystem creates more opportunities for homegrown talent to succeed here. With larger funding pools, Maine can attract and retain the next generation of entrepreneurs, scientists, and engineers who will shape the future. Other New England states have already raised the bar for early-stage investment. By adjusting the future change in the Seed Capital Tax Credit cap to \$10 million, we will ensure that Maine stays competitive in the broader regional business landscape.

Thank you for your time, and I am happy to answer any questions.