



**Testimony by Christopher Roney
General Counsel**

In Support of L.D. 125

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

February 5, 2025

Joint Standing Committee on Taxation

Senator Grohoski, Representative Cloutier, and Distinguished Members of the Joint Standing Committee on Taxation:

My name is Chris Roney. I am the General Counsel at the Finance Authority of Maine (FAME) and am testifying today in support of L.D. 125, *An Act to Increase the Total Amount of Credits Authorized Under the Maine Seed Capital Tax Credit Program*.

We want to thank Senator Pierce for sponsoring the bill, which is important to Maine's early-stage businesses seeking to attract investors to support their growth and support. This bill would increase from \$5 million to \$10 million the maximum annual amount of tax credit certificates the Finance Authority of Maine may issue to investors under the Maine Seed Capital Tax Credit Program for investments made in calendar years beginning with 2027. The program currently has a \$15 million per year maximum annual limit for tax credits, which is scheduled to be reduced to \$5 million beginning in 2027.

FAME has administered the Seed Capital Tax Credit Program, first of its kind in the nation, since its creation by the Legislature in 1987-88. The credit is designed to encourage equity and near-equity investments in eligible Maine businesses, directly and through private venture capital funds. FAME may authorize state income tax credits or re-fundable tax credits to investors for 40 percent of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research or working capital. Some of the Maine companies that have benefitted from the program include TimberHP in Madison; Tanbark Molded Fiber Products in Saco; Vertical Harvest in Westbrook; MedRhythms in Portland; bluShift Aerospace in Brunswick; Pumpspotting in Kittery; and Quoddy in Lewiston.

The *Maine Economic Development Strategy 2020-2029: A Focus on Talent and Innovation* (“Strategic Plan”) issued by the Department of Economic and Community Development (DECD) references the Seed Capital Tax Credit as an important tool to help promote innovation in the state. The Strategic Plan recommended that the Legislature increase the annual program cap from \$5 million to \$15 million in order to assist startups and create new jobs. Thanks to you, the Legislature, the cap was increased in 2020, but only temporarily, with a reduction to \$5 million planned for 2027. We think it would be unfortunate, considering the popularity and efficacy of the credit, to allow it to be reduced to \$5 million in a couple of years.

Maintaining the cap at a level higher than \$5 million (\$10 million is proposed in the bill) will enable the program to meet demand and continue attracting private investment in Maine’s early-growth companies. We are still gathering data for 2024 from participating companies and investors, but so far we can tell you that FAME issued approximately \$2.2 million in credits for \$5.6 million in investments. We expect those numbers to grow, however. In 2023, FAME issued approximately \$6 million in credits. The interest in the program remains strong and it remains a useful tool, in the face of reduced federal aid and limited state-supported economic development programs, to encourage growth and create jobs in the state.

2023 was a strong year for the program and the last year for which we have complete information reported by participating businesses and investors. In 2023, FAME received 176 investor applications, which represented total investments of approximately \$15 million in 36 Maine companies. Credit certificates issued by FAME totaled nearly \$6 million. These investments leveraged over \$56 million in additional private and public investments in these 36 Maine companies. When including the 72 reporting companies that filed reports in 2023 and that have obtained program investments in the last four years, the total additional capital raised from public and private sources in 2023 totaled over \$119 million. These companies in turn generated revenues in the state of over \$104 million due to their Maine operations and spent over \$118 million in Maine, including nearly \$116 million on payroll to support the employment of 819 Maine workers.

We believe the credit is a proven, popular, and important part of Maine’s economic development offerings and have often received such feedback from both the benefitting companies and investors alike. As you will hear from some today, the program has meant a great deal to their company’s growth and success. The credit has been associated with substantial private equity investments in Maine businesses over the years, and we think it is important to keep the investment momentum going and not reduce the annual credit limit to \$5 million in 2027.

Thank you for your consideration of my comments and I would be happy to answer any questions.