



Teresa S. Pierce
Senator, District 25
Senate Majority Leader

THE MAINE SENATE
132nd Legislature

6 Waites Landing Road
Falmouth, ME 04105

***Testimony of Senate Majority Leader Teresa S. Pierce introducing
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, and distinguished members of the Joint Standing Committee on Taxation. My name is Teresa Pierce. I serve as Senate Majority Leader, representing Senate District 25, which includes the towns of Falmouth, Cumberland, North Yarmouth, part of Yarmouth, Gray, and Long Island. Thank you for the opportunity to present L.D. 125, *An Act to Increase the Total Amount of Credits Authorized Under the Maine Seed Capital Tax Credit Program*.

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 administers the Seed Capital Tax Credit Program, which was the 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.

The *Maine Economic Development Strategy 2020-2029: A Focus on Talent and Innovation* (“Strategic Plan”), which was released by Governor Mills and the Department of Economic and Community Development (DECD) in November of 2019, notes how 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. We did this as a Legislature back in 2020, but only temporarily, with a reduction to \$5 million planned for 2027. It would be unfortunate in my view, considering the popularity and efficacy of the credit, to reduce it to \$5 million in a couple of years. I’m sponsoring this bill now to help ensure business predictability so that investors and businesses can plan to avail themselves of this tool in future years as appropriate.



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Maintaining the annual program cap at a level higher than \$5 million (the bill proposes \$10 million) will enable eligible Maine's early-growth companies to continue attracting private investment. FAME is still collecting data from companies and investors for calendar year 2024, but for now we know that the credit spurred at least \$5.6 million in investments, with \$2.2 million in credits issued so far. More is expected. In 2023, FAME issued approximately \$6 million in credits.

The interest in the program remains strong and it's an important economic development tool we use to encourage growth and create jobs in the state. Moreover, in this age of reduced federal aid and declining state revenues, the Seed Capital Tax Credit is a proven and cost-effective tool we can utilize to help spur economic growth in Maine.

You will hear today from some of the companies and investors that have benefitted from the program over the years. These industries include wood fiber construction, organic food production, neurotherapeutics, handmade footwear, aerospace, and baby feeding technology.

Thank you for your consideration of this bill. I am happy to answer questions, and I would also direct specific questions to representatives from FAME who are here to testify as well.