

**LD 1217, "An Act Regarding the New Markets Tax Credit
and the Maine New Markets Capital Investment Program"**

Joint Standing Committee on Taxation
April 16, 2025

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

I am Trey Stewart; and I represent District 2, which includes several communities in Penobscot and Aroostook Counties. I am here today to present LD 1217, "An Act Regarding the New Markets Tax Credit and the Maine New Markets Capital Investment Program," a vital tool for spurring private investment in our State's most economically-distressed areas.

The New Markets Capital Investment Program was enacted by the Legislature in 2011 and administered by the Finance Authority of Maine (FAME) in cooperation with Maine Revenue Services. The Program is modeled after the federal New Markets Tax Credit (NMTC) and is designed to attract investment through eligible Community Development Entities (CDEs) in low-income areas of our State. In return, investors may claim tax credits equal to up to 39% of their qualified investment.

The original Program authorized \$250 million in qualified investments, resulting in \$97.5 million in tax credits over seven years, with no more than \$20 million in tax credits claimed annually. Since its inception, 17 Maine-based projects received these investments, resulting in \$250 million deployed into local businesses, creating and retaining over 1,300 direct and 1,430 additional indirect jobs.

Following a 2017 Office of Program Evaluation and Government Accountability (OPEGA) report that analyzed the initial ten projects – representing nearly 80% of the Program's allocation – the Legislature directed FAME in 2024 to evaluate the remaining projects. The final seven businesses, supported after March 2017, accounted for the balance of the Program's funding and reflect impressive, continued outcomes.

Here are a few examples:

- MedRhythms, Inc., a cutting-edge digital therapeutics company, received nearly \$3.5 million to support expansion. It leverages neuroscience and music to treat neurological injury and disease. The company grew from 134 to 175 employees and received FAME's Business at Work for Maine Award in 2022.

- Saddleback Mountain, one of Maine's premier ski resorts, received NMTC funding for extensive improvements and infrastructure development. With a \$1.4 million tax credit investment, Saddleback leveraged \$86.4 million in private investments and generated over \$212 million in economic activity, including \$40 million in payroll and over 130 jobs.
- DirectVet received a \$4.6 million investment that enabled the construction of a pharmaceutical manufacturing and distribution center, creating 155 STEM jobs, with more than 277 jobs in Maine as of 2023.
- JSI Store Fixtures in Milo received a \$25 million investment. The investment provided the company with working capital, allowing it to refinance existing high-interest debt and maintain its Milo location while expanding to a second location in Bangor.
- St. Croix Tissue in Baileyville received a \$40 million investment. Their project involved the installation of two new tissue production machines, in combination with the Woodland pulp mill, diversifying the product mix of the combined facility. St. Croix dedicated \$500,000 to a workforce development program.
- The Press Hotel in Portland received a \$10 million investment that provided a renovation to a vacant, historic building.
- Quoddy Shoe in Lewiston received a \$600,000 investment. The investment allowed the company to pivot from wholesale distribution to a more profitable, direct, made-to-order sales model, with all products made in the State.

Across all projects, the Program has returned substantial benefits to Maine:

- A net positive impact of \$15.8 million on the General Fund.
- An estimated \$1.64 billion increase in Gross State Product (GSP) between 2013 and 2021.
- A 22-to-1 return on investment: \$21.67 in GSP for every \$1 tax credit issued.
- Significant payroll and in-state spending is nearly 12 times the value of the tax credits.

OPEGA's evaluation made clear that the design elements of the Program – particularly refundable and transferable credits – helped make Maine more competitive for capital investments. Notably, five of the six participating CDEs had never done a New Markets deal in Maine before this Program. They indicated they would have directed their investment to other states without it. This confirms what we intuitively know: the NMTC program changes investor behavior and brings new capital into Maine.

Moreover, the investments catalyzed broader community development, from increasing property tax bases to spurring related real estate projects, workforce housing and even early childcare facilities in rural towns like Rangeley.

While the program sunset in 2018, we can reauthorize and relaunch this proven economic driver today. LD 1217 proposes a second round of funding to begin on January 1, 2026, without impacting the current biennium budget. This will allow us to build on a track record of success and continue attracting private capital to areas of the State that need it most.

In a state with few capital investment tools, we cannot afford to let a program with such a strong return and tangible community benefits lie dormant. The New Markets Capital Investment Program works and reauthorizing it is an investment in Maine's future.

Thank you for your time and I respectfully urge the Committee to support LD 1217.

MEMORANDUM

RE: ~~REDACTED~~ – Amendments

DATE: April 4, 2025

Section 1, 10 MRSA §1100-Z, sub-§3, ¶B-1 is hereby amended as follows:

B-1 A qualified community development entity that seeks certification as a Maine fund for an allocation of tax credit authority shall apply to the authority. The applicant shall submit an application on a form the authority provides:

- (1) In addition to the requirement specified in paragraph B, subparagraph (1) and (4), the applicant shall include in the application evidence that the applicant is a Qualified Community Development Entity certified with the Community Development Financial Institutions Fund with its principal business operations in the state of Maine for at least 60 months.
- (2) ~~As used in this paragraph, “Maine fund” has the same meaning as in subsection 8, paragraph A, subparagraph (4).~~

Section 2, 10 MRSA §1100-Z, sub-§3, ¶B-2 is hereby deleted

Section 7, 10 MRSA §1100-Z, sub-§8 is hereby deleted

SUMMARY

This bill amends the Maine New Markets Capital Investment Program and the new markets capital investment tax credit to establish a new tax credit authority, referred to as “the program 2 tax credit authority,” for tax credit authority allocated by the Finance Authority of Maine on or after January 1, 2026. This bill establishes an application process for community development entities recognized as Maine funds to receive an allocation of tax credit authority.