



**Testimony by Christopher Roney, Esq.
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In Support of L.D. 1217

***An Act Regarding the New Markets Tax Credit and the Maine New Markets Capital
Investment Program***

April 16, 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). I am testifying today in support of L.D. 1217, *An Act Regarding the New Markets Tax Credit and the Maine's New Markets Capital Investment Program*.

FAME is a quasi-independent state agency whose vision is a Maine where all people have access to improved economic outcomes through business growth and education attainment. FAME's mission is to enrich business and educational outcomes through relevant, timely financial support to Maine's people.

This bill would amend the Maine New Markets Capital Investment Program and the new markets capital investment income tax credit, currently administered by FAME in conjunction with Maine Revenue Services, to establish a new tax credit authority for tax credits allocated by FAME on or after January 1, 2026. Another \$250 million in overall tax credit authority (no more than \$20 million in any one year to be taken over seven-year periods) is proposed. The bill establishes an application process for community development entities (CDEs) recognized as Maine funds and "diverse Maine funds" to receive an allocation of tax credit authority.

Among other details, the bill would shorten the period, from 24 months to 6 months after receipt of the notice of allocation of the tax credit authority, by which a CDE must issue equity investments or debt securities and receive cash in the total amount of tax credits authorized. The limit on the amount of tax credits authorized is unchanged from current law. The bill also would shorten the time, from 24 months to 12 months after issuance of the qualified equity investment (QEI), by which a CDE must invest at least 85% of the purchase price of the QEI in qualified low-income community investments before recapture of the credit is allowed. This bill makes conforming

changes to the tax credit to integrate impact qualified equity investments into the existing provisions governing the eligibility for an allocation of tax credits under the program.

We appreciate Senator Stewart's and the cosponsors' support for reauthorizing the program and making updates and changes to its operation.

Maine's version of a New Markets Tax Credit Program, modeled after the federal program, was enacted by the Legislature in 2011. The program provides a thirty-nine percent tax credit over seven years for investors who make qualified investments in low-income community businesses via a qualified CDE. An allocation of tax credits may be provided for businesses that invest in "qualified community development entities." The credit may not be taken in the first two years after investment. The maximum aggregate amount of tax credit authority is set forth at \$250 million, and the amount of tax credits claimed per fiscal year is limited to \$20 million. As of last week, when the last credits were awarded as part of FAME's financing for EME Biofuels, LLC in Millinocket (\$291,000 in tax credits), zero credits remain to be awarded under the program.

In our view, the program overall largely been successful and effective at growing Maine's economy. The program is designed to attract investment in Maine's low-income areas and has spurred millions of dollars in out-of-state and in-state investments in doing so. Examples of successful investments approved by FAME under the program include: St. Croix Tissue; ND Paper; Arctaris Saddleback Company, LLC.; MedRhythms, Inc.; Direct Vet Marketing d/b/a Covetrus; Quoddy Shoe; and Molnlycke Mfg. US, LLC.

In March Of 2017, the Office of Program Evaluation and Governmental Accountability (OPEGA) issued a report on the program that was largely favorable. That report, which analyzed the first ten businesses that benefitted from the program representing approximately 80% of allocated funding, determined that the program had created and retained over 1,800 direct and indirect jobs. Additionally, when looking at the positive effect of the funded projects on gross state product, the report estimated the **state had received a 22x return on its investment (ROI) and further that the program had generated \$15.8 million in net revenue for the General Fund** (after accounting for revenue lost from tax credits).

As you may recall, the Taxation Committee of the 131st Maine Legislature, after considering Senator Stewart's LD 1974, *An Act to Reauthorize Maine's New Markets Tax Credit Program*, directed FAME pursuant to Resolve, PL 2024 Ch. 151 to review the program and report back with any recommended changes. We did so and reported back on January 31, 2025. Our report found that the Maine New Markets Capital Investment Program is a successful economic development program that has yielded material economic benefits to the state and is worthy of continued funding.

FAME's review centered upon the seven subsequent transactions following the OPEGA report, representing approximately 20% of the allocated funding. While FAME did not have access to the same resources as OPEGA, such as economic modelling software, we found the post OPEGA transactions resulted in significant economic

benefits to the state consistent with those found by OPEGA for the earlier transactions. Specifically, the FAME report found that the **\$21.4 million in tax credits awarded in these transactions directly resulted in \$53 million in associated investments. In addition, these companies were able to raise an additional \$600 million in investments during their program participation**, a leverage ratio of **over 30x**. These companies also spent (or are projected to spend) **\$252.6 million in total actual and projected payroll costs over that same seven year period. This represents 11.8X** the amount of the credits awarded. Thus, \$1 in tax credits resulted in \$11.80 in spending on payroll alone over the seven years. Approximately 938 (direct and indirect) jobs were created and retained from the projects included in this review. Since its inception, the program has resulted in approximately **\$97.5 million in tax credits being awarded for approximately \$250 million in investments in seventeen businesses in the state**. These investments resulted in the creation and retention of 1,424 direct jobs and another 1,339 indirect jobs in Maine.

This session, considering limited funding appetites in the face of budget realities, as well as the two-year experience since originally considering LD 1974, we recommend approving a pared-down, basic reauthorization of the program with limited changes. We believe the program is worthy of continued support and funding considering the results and resulting economic development in various parts of the state. In our view, the state's investment of \$97 million in the program has more than been repaid and realized through the various economic development outlined in the two reports. The state has precious few economic development tools, especially like this one that target very substantial transactions that bring tens of millions of dollars of investment into Maine.

We hope you will support continued funding for the program. Thank you for your consideration of my comments and I will be happy to answer any questions.