FAME
FINANCE AUTHORITY OF MAINE

Testimony by William Norbert
Governmental Affairs and Communications Manager

In Opposition to L.D. 1699

An Act to Create a Refundable Tax Credit for Agricultural Enterprises

May 8, 2025

Joint Standing Committee on Taxation

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

My name is Bill Norbert. I am the Governmental Affairs and Communications Manager at the Finance Authority of Maine (FAME) and am testifying today In Opposition to L.D. 1699, *An Act to Create a Refundable Tax Credit for Agricultural Enterprises.* In addition to being unnecessary and duplicative, the proposed changes would make the program cumbersome for FAME to administer and unfair to other eligible businesses and investors.

This bill would add agricultural enterprises to the list of businesses eligible for the Maine Seed Capital Tax Credit Program, which is administered by FAME. The bill allows an agricultural enterprise determined eligible by FAME to qualify for a tax credit for investments made in infrastructure, not including real estate, but including any improvement that expands the marketing, production or processing of agricultural products, in addition to the qualifying investments that may be made by a business. The bill also provides an exemption to the normal program requirement that investors must own less than half of the business.

FAME has administered the Seed Capital Tax Credit Program 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.

We believe the proposed changes to the program are duplicative and unnecessary since "value-added natural resource enterprises" (including agriculture) are already eligible under the program. These include agricultural, forestry and fishing enterprises. We have approved various investments pertaining to natural resource enterprises. Some of the Maine natural resource-related companies that have benefitted from the program include: Springworks Farm, American Unagi, Garbage to Garden, Heartstone Farm, Katahdin Salmon, Ocean Approved (now Atlantic Sea Farms), Blue Ox Malthouse, Gulf of Maine Sashimi, Shellfish Solutions d/b/a Oyster Tracker, and Ocean Approved. We are concerned that adding a new, separate reference to "agricultural enterprises" may unintentionally complicate the program and create confusion for potential investors and businesses regarding eligibility.

Although the bill title mentions refundability, nowhere do we see such a change in the actual bill text. We would not support making the credit refundable for agricultural enterprises. Such a change would create a whole new class of tax credits to be administered under the program. Currently, the program only allows for refundable credits to be awarded to venture capital funds, presumably because most of them ordinarily would have no Maine tax liability and we wish to encourage them to invest in Maine businesses. This change would now have the program offer three separate classes of credits: non-refundable tax credits for non-venture capital and non-agricultural enterprise investors; refundable credits for venture capital investments; and refundable credits for agricultural enterprises. Such a change would surely lead to confusion and unfairness for other interested parties. Over the years, we have been approached by numerous non-venture capital investors who wish for their credits to be refundable. We have had to tell them no, that the venture capital investment refundable credit was a considered and deliberate policy choice by the Maine Legislature. This refundability change for agricultural enterprises would recast the entire nature of the program.

Finally, the bill would alter the longstanding family ownership prohibition in the program (eligible participants must own less than 50% of the business in which they seek to invest). The bill seeks an exception for principal owners of agricultural enterprises, who now would be eligible for the credit. This seems unfair to us and would create a different class of business ownership treatment for such agricultural enterprises. The program is designed to support passive, non-controlled investors and not principal owners, who presumably have their own personal incentives to invest in a family business. The program has always sought to target passive investors, who do not control a company, and create an incentive for them to invest in a business they will not control or own. This has been a foundational element and intention of the program.

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