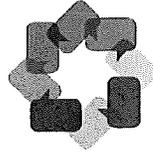


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February 19, 2026

Senator Margaret Rotundo, Chair  
Representative Drew Gattine, Chair  
Members of the Appropriations and Financial Services Committee

Senator Nicole Grohoski, Chair  
Representative Dan Sayre, Chair  
Members of the Taxation Committee

**RE: Testimony in Qualified Support of Part N (Pass-Through Entity Tax) and Opposition to Part O (Sunset of Business Equipment Tax Reimbursement Program – BETR), LD 2122 Supplemental Budget**

Dear Senators Rotundo, and Grohoski; Representatives Gattine, and, Sayre and Distinguished Members of the Committees:

The Maine Grocers & Food Producers Association and the Retail Association of Maine respectfully submit joint testimony in qualified support of Part N (Pass-Through Entity Tax, or PTET) and in opposition to Part O (sunset of the Business Equipment Tax Reimbursement Program, or BETR) in LD 2122, the Supplemental Budget.

Our associations represent more than 450 Main Street businesses statewide, including independently owned grocery stores and supermarkets, general merchandise and specialty retailers, convenience stores, distributors, and industry partners. Maine's retail sector alone employs more than 82,000 Mainers and remains one of the largest private-sector employers in the state.

**Part N – Pass-Through Entity Tax (Qualified Support)**

We appreciate the Administration's inclusion of an elective PTET in the supplemental budget. As noted in recent public commentary from the Manufacturers Association of Maine<sup>1</sup>, 36 states have already adopted PTET frameworks to address the federal limitation on state and local tax deductions. Maine businesses have been at a competitive disadvantage without this option.

Most Maine businesses are structured as pass-through entities — including grocers, retailers, manufacturers, contractors, and family-owned companies. Without a PTET election, owners of these businesses face higher effective federal tax burdens than similarly situated competitors in neighboring states. That translates directly into less capital available for hiring, wage growth, equipment upgrades, and expansion.

Importantly, PTET is not simply a tax reduction mechanism. By shifting the deduction to the entity level for federal purposes, Maine business owners can reduce their federal tax liability while continuing to pay taxes at the state level.

<sup>1</sup> <https://mainebiz.biz/article/op-ed-pass-through-entity-tax-a-good-start-but-maine-needs-more/>

Under the proposal, the credit equals 90 percent of the PTET paid, meaning the State retains a portion of revenue while improving competitiveness. Properly structured, PTET can strengthen Maine's business climate while preserving, and perhaps increasing, state revenues.

However, refinement is necessary to ensure the policy functions as intended.

As drafted, the proposal:

- Applies beginning January 1, 2026, with no retroactive election option;
- Does not provide credit for taxes paid to New Hampshire;
- Excludes tiered entity structures commonly used by growing companies;
- Lacks clarity regarding election procedures; and
- Does not fully conform to certain federal provisions affecting research and development expensing.

Addressing these issues would provide certainty, broaden applicability, and maximize the competitiveness benefits that PTET is intended to deliver. We encourage continued collaboration between the relevant policy committees and Appropriations to refine this proposal before final enactment.

### **Part O – Sunset of BETR (Opposition)**

While we support improving Maine's competitiveness through PTET, we are deeply concerned about Part O's proposal to sunset the Business Equipment Tax Reimbursement (BETR) program.

BETR was enacted in 1995 following extensive legislative study that concluded taxing business equipment was poor tax policy and a disincentive to investment. The program was designed to offset the personal property tax burden on qualified business equipment and has resulted in hundreds of millions of dollars in capital investment across Maine.

For retailers, grocers, and food producers, capital investment is not optional. Refrigeration systems, food safety technology, point-of-sale systems, commercial kitchen equipment, warehouse automation, and inventory infrastructure are core operating assets. These are capital-intensive investments made in good faith under a longstanding reimbursement structure.

Part O would reduce reimbursements by 50 percent beginning with the August 1, 2026 application period, prohibit claims after March 1, 2027, and end payments after November 1, 2027. For property that remains in BETR, this effectively results in an abrupt tax increase on investments that were made with the expectation of continued reimbursement.

The proposal alters the rules midstream. Property that still has remaining value would once again be fully subject to personal property tax if BETR is eliminated, creating a significant and immediate increase in tax liability for capital-intensive businesses.

It is also important to recognize that BETR and the Dirigo Business Incentive Program are not interchangeable. BETR addresses personal property taxes and is ongoing in nature, while Dirigo is an income tax credit program that is time-limited and dependent on income tax liability. Dirigo was designed to replace the Pine Tree Development Zone program — not BETR. Eliminating BETR without a true structural replacement risks undermining Maine's long-term investment environment.

Many neighboring states (including New Hampshire and Massachusetts) do not tax most machinery and equipment. Removing BETR while attempting to improve competitiveness in other areas sends mixed signals to employers making long-term capital decisions.

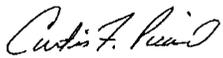
Employers evaluate the overall direction and predictability of a state's tax policy. Advancing PTET is a constructive step forward. However, pairing that progress with the elimination of BETR introduces uncertainty and offsets much of the competitiveness gain.

Maine businesses make multi-year investment decisions based on stability. When one part of the tax code signals support for reinvestment while another increases exposure to property tax burdens, it complicates planning and may discourage modernization or expansion.

We respectfully urge the Committees to refine and strengthen the PTET language to ensure it fully achieves its intended competitiveness objectives; and reconsider the proposed sunset of BETR, or explore alternative transitions that preserve support for existing capital investments.

We appreciate the opportunity to provide these comments and stand ready to work with the Administration and the Legislature to ensure Maine's tax policy remains stable, competitive, and supportive of long-term economic growth.

Thank you for the opportunity to provide comments.



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