

Testimony of Linda Caprara  
Joint Standing Committee on Appropriations and Financial Affairs and Joint Standing Committee on  
Taxation

February 19, 2026

L.D. 2212, An Act Making Supplemental Appropriations and Allocations From the General Fund and  
Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law  
Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2026 and  
June 30, 2027

Good Morning Sen. Rotundo & Rep. Gattine, Sen. Grohoski & Rep. Sayer and Members of both the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Taxation. My name is Linda Caprara I am Vice President of Advocacy for the Maine State Chamber of Commerce and I am a resident of Winthrop. We are testifying in opposition to L.D. 2212, An Act Making Supplemental Appropriations and Allocations From the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2026 and June 30, 2027.

Maine must remain focused on policies that strengthen and grow our economy. While the state experienced strong economic growth in 2022 and 2023 the outlook for economy is one with stagnant employment growth and continued pressure on our state budget. That means having stable, predictable tax and fiscal policies that give businesses and employers the confidence to invest for the long term will be imperative for our state. These policies need to encourage capital investment, support job creation, and ensure Maine remains competitive by keeping the overall tax burden as low as possible. At the same time, we must maintain a responsible and sustainable state budget that promotes long-term economic growth.

We oppose L.D. 2212 for three reasons. First, it proposes to eliminate the Business Equipment Tax Reimbursement Program (BETR) (Part O). Second, the bill does not fully conform to immediate expensing for research and development (Part K) for *all* businesses regardless of size. Third, we believe the utilization of the State's Budget Stabilization Fund (Part T) should be done with extreme caution given economic uncertainty.

We are testifying in strong opposition to the proposed elimination of the Business Equipment Tax Reimbursement Program (BETR) in Part O of the supplemental Budget because it is a huge tax increase on Maine businesses. At its core, the concern with eliminating the BETR Program retroactively for calendar year 2025 and going forward in Part O is simple it's about trust, predictability, and credibility. If this proposal is enacted, the State will fail miserably in all three areas and we are very concerned about the precedent this sets going forward for future investment in this State. The State of Maine made a long-standing commitment to employers through the BETR program. For years, Maine businesses have been told that if they invest here, expand here, and create and retain jobs here, the State would provide a stable and predictable reimbursement framework to help offset Maine's unusually heavy taxation of business equipment. Part O breaks that commitment.

### **BETR DRIVES INVESTMENT & JOBS**

- Since it was enacted in 1995, the BETR Program has resulted in hundreds of millions of dollars of investments by Maine businesses by removing a major barrier to expansion and modernization.
- The Legislature enacted BETR after years of studies which showed that taxing business equipment was poor tax policy and was a disincentive to investment.

### **REPEALING BETR IS A MAJOR TAX INCREASE**

- Property that is still in BETR still has value and would still be subject to tax if BETR goes away placing a huge tax burden on companies! There is still a lot of property in the BETR program, particularly for capital intensive industries.
- The Governor's proposal retroactively eliminates BETR beginning with taxes paid in 2025 onward, resulting in an abrupt and significant tax increase on Maine companies that have invested in good faith here in Maine. This proposal pulls the rug out from under Maine businesses and changes the rules midstream.
- Many states- including NY, NH, MASS, NJ, PA and DE do not tax most machinery and equipment

### **BETR ALLOWS MAINE BUSINESSES TO COMPETE**

Throughout the years, the Legislature's Appropriations and Taxation Committees have heard countless businesses testify as to the effectiveness of BETR for job retention and helping Maine businesses attract the necessary capital investment to keep competitive both nationally and internationally. In some cases, jobs have been created but most importantly jobs have been saved here in Maine.

Businesses make investment decisions years in advance. Maine employers have expanded and purchased equipment relying on stable BETR commitments. Cutting reimbursements sends the message that the State can change the rules after investments are made. That kind of unpredictability discourages future investment.

Elimination of the BETR Program puts in jeopardy the State's economic future and jobs because it puts at risk future investment due to the uncertainty and the lack of **"Businesses kept their end of the bargain by investing — Maine should keep its end too."**

### **RESEARCH & DEVELOPMENT IMMEDIATE EXPENSING: A PRO-GROWTH AND COMPETITIVENESS IMPERATIVE**

Second, R&D immediate expensing is one of the most pro-growth provisions in the Federal Tax Code and Maine needs to adopt the same federal depreciation rules for these investments to remain competitive! Dozens of states have already made this change. Specifically, we strongly support expanding Section K which restores a deduction tied to domestic research and experimental expenditures claimed under Internal Revenue Code Section 174A but adds language to limit it to small businesses. We support restoring full R&D expensing for Maine employers of all sizes. The provision in the budget limits immediate R & D expensing to small business with gross receipts under \$30 million while it requires

larger businesses with gross receipts over \$30 million to amortize R&D costs over several years. We feel very strongly that if Maine is going to encourage innovation, it shouldn't draw an arbitrary line where small companies are innovators but large employers somehow aren't. Large manufacturers, biotech firms, and multistate employers often drive the biggest R&D investments and job creation here.

Research and development is one of the most important drivers of long-term economic growth. Businesses invest in R&D to: develop new products, improve manufacturing processes, advance technology and stay competitive in national and global markets. When those investments happen in Maine, they translate into higher-paying jobs, stronger industries, and a broader tax base.

Immediate R & D expensing allows businesses to deduct the full cost of research investments in the year they are made and accelerates innovation cycles, boosts cash flow, and enables companies to reinvest quickly in new technologies, products, and workforce expansion. Innovation in Maine comes from a range of companies—startups, midsize employers, major manufacturers, and research-intensive firms. If companies fail to invest in innovation they will fail to compete in the global marketplace

Failure to adopt this provision puts Maine's innovators at a competitive disadvantage. Maine already competes with states that aggressively court innovation-driven companies with strong R&D incentives. Maine cannot risk losing investments to states or countries that have conformed to this provision. Every dollar invested in R&D produces multiple dollars in downstream economic activity and high wage jobs with above average wages!

R&D expensing aligns with Maine's 10-year strategic plan which emphasizes innovation, commercialization, and high-value industries in sectors Maine prioritizes: biotech, life sciences, precision manufacturing, clean energy, forest-product innovation, food and agriculture technologies, and software. We need to support these industries as they are the wave of the future!

Excluding larger businesses from the immediate expensing provision, would mean Maine is leaving major innovation and job growth potential on the table. We urge the Legislature not to pick winners and losers through the tax code. A business investing in research in Maine should receive the same treatment whether it has \$20 million in receipts or \$200 million. The goal should be straightforward: **If a Company is deciding to invest in R&D, we want them to do it here.**

#### **PASS-THROUGH ENTITY TAX:**

##### **RAISE STATE REVENUE AND LOWER TAX BILLS FOR MAINE EMPLOYERS**

We do support adoption of a Pass-Through Entity Tax Proposal (Part N) if it is amended with language that will be forthcoming from the Society of CPA's. This proposal will help Maine employers remain competitive, support investment, and align our state with the tax structures already adopted successfully across the country. Pass through entities are **family-owned companies, partnerships, LLCs, and S-corporations** — the kinds of employers that make up the backbone of Maine's economy. These businesses pay their income taxes through the individual income tax system, and that means they are especially sensitive to federal tax limitations and rising state tax burdens. Adopting a PTET proposal gives Maine businesses a federal tax workaround for federal state and local tax deductions in a manner that dozens of states already use. At least 36 other states have adopted a PTET across the nation. Maine would be an outlier if it did not allow the PTET. By allowing Maine pass through entities to pay income tax at the entity level, it allows Maine businesses to potentially regain federal deductibility and reduce their effective tax burden. This is not a loophole. It is an IRS-recognized structure that many states have

already adopted to help their employers remain competitive. And better yet it's elective. Businesses can choose depending on their status. Again, we are aware the Maine Society of CPA's has an amendment coming forward that makes the PTET retroactive to 2025 and contains some technicals changes aligning it with other states that have adopted the PTET.

**BUDGET STABILIZATION FUND:  
A CRITICAL RESOURCE DURING CHALLENGING ECONOMIC PERIODS**

Finally, we oppose L.D. 2212 because it weakens the State's fiscal foundation by proposing to utilize the Budget Stabilization Fund when our revenue projections are stable in this biennium. Over the past several years, the Budget Stabilization Fund has grown to \$1 billion dollars, but that would only support the state to manage a moderate recession. Withdrawals from this fund should only be utilized for genuine fiscal emergencies. Utilizing this fund for any other purpose can leave the state exposed in an economic downturn and force the Legislature to result to sudden tax increases to maintain essential services or significant cuts in state services. Again, we must maintain a responsible and sustainable state budget that promotes long-term economic growth and stability and make investments such as R&D including investments Maine Technology Institute just announced throughout the State, R & D for our University System included in the budget and continued affordable housing financial stability in this State.

For these reasons, the Maine State Chamber of Commerce opposes LD 2212. Thank you for the opportunity to testify, and I would be happy to answer any questions.