

Testimony of Linda Caprara
Joint Standing Committee on Taxation
February 19, 2026

L.D. 2010, An Act Updating References to the United States Internal Revenue Code of 1986
Contained in the Maine Revised Statutes

Good Morning Sen. Grohoski & Rep. Sayer and Members of 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 support of full conformity in L.D. 2010.

Each year, Maine decides whether or not to conform to changes in the Federal Tax Code. With the passage of the One Big Beautiful Bill (OB3) there have been a lot of changes at the federal level, many positive changes that promote economic growth. Overall, conforming to the federal tax code creates stability and predictability for taxpayers. The more Maine deviates from the federal tax code, the more complicated tax filing becomes — especially for small businesses that don't have large accounting departments. A consistent tax base reduces administrative burden and using the federal starting point makes it easier for both taxpayers and Maine Revenue Services to administer the system efficiently.

The most important provision that our members identified was R&D expensing. 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. We appreciate that the Mills Administration does include R&D expensing in the budget and that it is inclusive of investments made the last couple of years for small businesses. While we support that provision it needs to be expanded...We testified on the budget this morning because we strongly support restoring a deduction tied to domestic research and experimental expenditures claimed under Internal Revenue Code Section 174A is important. But L.D. 2212 however, 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 \$31 million while it requires larger businesses with gross receipts over \$31 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.

I would be happy to answer any questions.