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130th MAINE SENATE

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**Testimony of Harold “Trey” Stewart
Presenting L.D. 1650, An Act To Create the Small Business
Capital Savings Account Program
Before the Innovation, Development, Economic Advancement and Business Committee
May 11, 2021**

Senator Curry, Representative Roberts and members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business: I am Senator Trey Stewart and I have the honor of representing 51 communities in Aroostook and Penobscot counties. I am before you today to present L.D. 1650, An Act To Create the Small Business Capital Savings Account Program.

This legislation has been brought forward on behalf of the Professional Logging Contractors of Maine; though, if passed, would positively impact many other key sectors in our State’s economy such as agriculture and fishing. As you all know, small business is the backbone of Maine’s economy. Making certain our tax structure allows industry and commerce to weather economic slumps is one way we can better serve our state in the Legislature and I believe the legislation before you will help make that possible. This bill was originally brought forward in the 129th legislature, but it died last session when the legislature adjourned because of COVID.

As stated in the title, the bill creates a Small Business Capital Savings Account Program within the Department of Economic and Community Development where \$250,000 may be retained in an account at any one time. The Department will certify up to 10 small businesses from the commercial wood harvesting industry as well as from the commercial agricultural production and commercial fishing industries. If one industry doesn’t end up having 10 eligible businesses, the Department may certify businesses in one of the other industries listed.

The bill also creates a tax deduction and establishes that withdrawals from the account must only be used for capital expenditures by the business and if the withdrawal is not used for capital expenditures, it is considered taxable income. The original intent of this bill was to be a pilot program that would last a few years and then the benefits of the program would be analyzed by the Department, who would either elect to advocate for its expansion, or allow it to fade into the sunset.

By creating these accounts, small businesses in Maine can save and re-invest in their businesses without state tax penalty. If a business was forced to spend that money all in the same tax year when they have “good years” but don’t necessarily need it to either cover present operating costs

or reinvest into their business the tax benefit is lost. However, if they are allowed to set these monies aside and draw upon the fund when there's a real demand for it- either from a sudden financial crisis like we've experienced this past year, or to make long-term planning on significant capital expenses easier- that would be a significant boost for these businesses. I would submit to you that if a program like this was widely available at the outset of COVID last year, our small business sector would have been better-off and our economy would have begun to rebound even faster.

I feel this legislation provides a clear benefit for those in the agricultural, fishing, and forestry industries and hope you do too. Thank you for your time and consideration of this legislation. I'd be happy to answer any questions you may have at this time.