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LD 1941

Good afternoon, Sen. Chipman, Rep. Terry and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara, I am a resident of Winthrop. I represent the Maine State Chamber of Commerce and we are here today to speak in opposition to L.D. 1941, An Act to Clarify and Update the Maine Seed Capital Tax Credit

Maine's seed capital tax credit program provides a powerful economic development tool for the state by encouraging equity and near equity investments in Maine businesses directly and through private venture capital funds. This program in particular supports Maine small businesses, entrepreneurs, and startup companies, something which Maine prides itself on. The program encourages investors to commit capital to Maine companies that might otherwise be invested outside the state. And, these investments are in some of Maine's most exciting economic sectors such as manufacturing, advanced technologies, value added resource enterprises or visual media production companies (which unfortunately is proposed to be eliminated in this bill).

The Maine Seed Capital Tax Credit was identified in the Maine Strategic Plan as one of the key actions items to promoting innovation in the state. The plan referenced that every dollar of Seed Capital Tax Credit raises ten dollars of private investment. And further, indicated that an increase in the ceiling from \$5 million to \$15 million would help about 40 startups and create 2,300 new jobs. That's a good investment for Maine.

Maine was the first state in the nation to enact the Maine Seed Capital Tax credit and other states have since followed our lead. But over the years this credit has been reduced and it's been changed. This is why we oppose L.D. 1941.

We oppose this legislation because it reduces the Seed Capital Tax Credit from 40% to 30%. According to FAME, the credit was 50% from 2014 to 2020. Then it was lowered to 40% on March of 2020. Over the years, the aggregate and annual limits have also changed numerous times as well.

While we were pleased to see the Maine Legislature and Governor Mills approved via Public Law 2020, Chapter 616 (the Supplemental Budget) which increased funding for the program, tripling the annual program limits from \$5 million per year to \$15 million per year, unfortunately, last session, yet again another change, the ceiling was lowered from \$15 million to \$13.5 million for 2021 and 2022.

Investors need stability and predictability. Constantly changing tax incentives or credits promotes instability and investors will more than likely be unwilling to invest where they are unsure as to what their rate of return will be on an ongoing basis. It does not serve Maine well if tax incentives or credits are constantly changed.

The Maine Seed Capital Tax Credit Program places Maine in a stronger position to compete. Its pure competition out there when it comes to attracting capital. Maine is in a great position offering what they do for tax incentives like Maine's Seed Capital Tax Credit. Let's not lose sight of the importance of that and the significance of these programs to Maine's economic future.

Again, we oppose L.D. 1941 and I would be happy to answer any questions you may have.