

Good Morning, Sen. Libby, Rep. McDonald and members of the Government Oversight Committee. My name is Linda Caprara and I am a resident of Winthrop. I represent the Maine State Chamber of Commerce.

We are here to express our support for the Research Expense Tax Credit and offer a few comments regarding the OPEGA report.

The Maine State Chamber feels very strongly that the R&D tax credit is very important to the business community and we feel it is absolutely essential that the State keep this credit.

Maine companies compete on a global scale. Research and Development plays a huge role in maintaining that competitive edge for businesses in the global marketplace, is an important driver for economic growth and is essential for developing new products and improving existing products. The importance of R&D cannot be understated. Maine's own strategic plan cites that promoting innovation is one of the strategies the states needs to focus on to grow our economy. The plan cites the need to partner with the private sector to increase R&D investment in Maine through the use of tax incentives, higher education investments etc.

We agree with the report's recommendation that the design of the credit be amended so that it is easier for the beneficiaries to access it, particularly with respect to supporting ongoing and consistent R&D. We also understand that one of the recommendations is for stakeholders to be involved in looking at the credit along with MRS and DECD. We would very much like to be a part of this process if we can. I would be happy to answer any questions you have.



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



Testimony of Phoenix McLaughlin
to the Government Oversight Committee
Regarding the OPEGA Evaluation of the Research Expense Tax Credit
March 25, 2022

Senator Libby, Representative Stover, and distinguished members of the Government Oversight Committee, my name is Phoenix McLaughlin, and I am the Tax Incentive Policy Manager for the Department of Economic and Community Development. I am here today to offer comments on behalf of the department in response to OPEGA's evaluation of the Research Expense – or R&D – tax credit.

As the OPEGA report details, the R&D credit was enacted in 1995 and aims to lower the cost of research and development for companies conducting such work in Maine. The credit builds on the similar federal credit, which taxpayers are required to utilize to take advantage of Maine's credit.

Maine's level of investment in research and development is far from what it needs to be. That's why our 10-Year Economic Development Strategy prioritized efforts to strengthen R&D investment as a part of its call to spur innovation. To increase the investment, the plan called for a combination of public subsidies, tax incentives, and higher education investments to incentivize private sector investment.

The OPEGA report correctly points out that compared to other states, Maine is not a national leader in R&D investments as a percentage of gross domestic product. However, Maine's technology-based companies – the businesses most likely to engage in research, development, and innovation – account for around 20% of our gross regional product. While the R&D Tax Credit may not be the sole factor in keeping these businesses operating in Maine and attracting new ones to our state, it is one valuable tool in the toolbox of federal, state, and local programs aimed at boosting research and development in Maine. That is why the Department has previously testified in support of efforts to increase the value of the credit.

We are grateful for OPEGA's work to review the impact of the tax credit, and for the committee's commitment to oversight of these types of expenditures. The Department is happy to work with MRS, the legislature, and other stakeholders, as recommended by OPEGA, in support of efforts to strengthen the credit, discuss ways to better market the credit, and ensure it is achieving its full potential. We strongly believe, however, that any changes must stay focused on creating new private sector investments in research and development, in line with our 10-Year Plan.

We would encourage those involved in improving this credit to retain its clear focus—an incentive for R&D investment in order to improve R&D investment. As always, we also encourage keeping in mind



JANET T. MILLS
GOVERNOR

STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



HEATHER JOHNSON
COMMISSIONER

predictability for the businesses in our state that currently use this credit and provide critical investments in innovation.

Increasing research and development investment in Maine is top priority for the Department and the administration. Continuing to catalyze private sector investment, supporting efforts at public institutions (like the newly R1-classified University of Maine), and continuing to support public sector investment through entities like the Maine Venture Fund, FAME, and the Maine Technology Institute, are vital to our future growth and prosperity.