

# About The Maine Seed Capital Tax Credit Program

The Maine Seed Capital Tax Credit Program is designed to encourage equity investments in Maine businesses, directly and through private venture capital funds. FAME may authorize state income tax credits to investors for 40% of the cash equity provided to eligible Maine businesses. Investments may be used for fixed assets, research or working capital.

## ► Important Changes and Updates

### Eligibility

- Businesses must be located in Maine.
- Investor must own less than 50% of the business and may not otherwise control the business (as determined by FAME).
- Principal owners and their immediate relatives are not eligible.
- Annual gross sales of less than \$5,000,000.
- Operating the business must be the professional, full-time activity of at least one of the principal owners.

Business must either:

- Be a manufacturer OR
- Provide goods or services with 60% of sales derived from outside the state or to out-of-state residents, but with a majority of company employees in Maine OR
- Develop or apply advanced technologies OR
- Be a value-added natural resource enterprise OR
- Be certified as a visual media production company.

### Basic Terms

- Tax credits equal to 40% of the investment.
- An investor may provide up to \$500,000 per business in any consecutive three-year period.
- Aggregate investment limit per business is \$3,500,000 for which tax credit may be received.
- Investments must be at risk for five years. Dividends, royalties, interest, stock options or warrants and other forms of return, which are not in the nature of return of principal, are allowed.
- Credits must be taken in increments of 25% (of the credit) per year starting in the year of the investment. For investment not made through private venture capital funds, credits used cannot exceed 50% of the total tax due by the investor for that taxable year before application of the tax credit, and to the extent this limitation requires the taxpayer to take the credit over more than four years, unused credits may be carried forward no more than 15 years. For private venture capital funds, credits are refundable.

### Special Rules for Private Venture Capital Funds

- Investors may provide up to \$500,000 per business, including through a private venture capital fund, in any consecutive three-year period.
- No one company can receive investments of more than \$3,500,000 lifetime or more than \$2,000,000 annually, qualifying for credits, including investments through a private venture capital fund, but may receive more without credits.
- Private venture capital funds may not own more than 50% of a company receiving investments, or otherwise control the business (as determined by FAME).
- No member of the private venture capital fund may be a principal owner.
- Business receiving investment from private venture capital fund must keep operations in-state for four years following investment.
- Investment into private venture capital funds must be at risk and principal may not be paid without FAME consent for five years. Dividends, royalties, interest, stock options or warrants and other forms of return, which are not in the nature of return of principal, are allowed.

### Reporting Requirements

Businesses receiving investments for which credits are issued must file annual reports with the Authority. The annual reports require information on the nature and extent of other investments received; the number, classification, and location of workers employed, as well as information on whether such workers would have been employed in the absence of the award of tax credits; annual payroll and other in-state expenditures; and total sales revenue from both inside and outside Maine. Other information may be required from time to time. Failure to file reports will result in ineligibility and possible revocation of credits issued.

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### How to Apply

Complete, save, and email your completed forms to [mmackenzie@FAMEmaine.com](mailto:mmackenzie@FAMEmaine.com). You may also mail printed forms to the Finance Authority of Maine, PO Box 949, Augusta, ME 04332-0949.

**We are not accepting hand-delivered applications at this time, as our office is closed to visitors due to the COVID-19 pandemic.**

### Businesses

A business must apply for eligibility prior to receiving investments for tax credits. If the business has more than ten (10) employees, the Employment Plan must be included with the Business Application along with all supporting documents referenced in the Enclosures section on page 2 of the application.

Business Application: Maine Seed Capital Tax Credit Program

### **Individuals**

Submit the Individual Investor Application along with all supporting documents referenced in the Enclosures section on page 2 of the application.

Individual Investor Application: Maine Seed Capital Tax Credit Program

### **Private Venture Capital Funds**

Submit the Private Venture Capital Fund Application along with all supporting documents referenced in the Enclosures section on page 2 of the application.

Private Venture Capital Fund Application: Maine Seed Capital Tax Credit Program

### **Resources**

The Maine Office of Securities (MOS) provides industry information and resources. In addition to fielding consumer complaints, the office also welcomes questions about investments, financial professionals, and securities laws.

MOS also protects Maine investors by licensing broker-dealers, agents, investment advisers, and investment adviser representatives; reviewing registration statements and exemption filings for securities issuers that are seeking to sell in Maine; and investigating and prosecuting violations of the securities laws.