

## 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.

### Eligibility

- Businesses that are located in Maine.
- Investor must own less than 50% of the business, and must not directly or indirectly control the business.
- Principal owners and their immediate relatives are not eligible.
- Must have annual gross sales of less than \$5,000,000.
- Business must either:
  1. be a manufacturer;
  2. provide goods or services with 60% of sales derived from outside the state or to out-of-state residents, with employees primarily in Maine;
  3. develop or apply advanced technologies;
  4. be a value-added natural resource enterprise; or
  5. be certified as a visual media production company.
- Operating the business must be the professional, full-time activity of at least one of the principal owners.

Amount of credits available each year is limited to \$15,000,000

Starting on January 1 each year, credits are issued on a first-come, first-served basis to investors who submit a **complete** application. If you have any questions, including whether credits remain available for any year, contact Michelle MacKenzie by e-mail: [mmackenzie@FAMEmaine.com](mailto:mmackenzie@FAMEmaine.com), or by phone: 207-620-3541.

### Basic Terms

- Tax credits equal to 40% of the investment.
- An investor may provide up to \$500,000 per business.
- Aggregate investment limit per business is \$3,500,000 (lifetime) and \$2,000,000 (per calendar year) 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

- Funds cannot invest more than \$500,000 per fund participant in any consecutive three-year period.
- No one company can receive investments of more than \$3,500,000 (lifetime) and \$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 company.
- No member of the private venture capital fund may be a principal owner.
- The business receiving investment from the private venture capital fund must keep operations in state for four years following investment.
- Investment by 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 information on the total investments received, number of employees and jobs created/retained, annual payroll and total sales revenue, as well as other information required by FAME. Failure to file reports will result in ineligibility and possible revocation of credits issued.

## Process

### **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. A \$750 application fee is required to be included with the application package. Make checks payable to the Finance Authority of Maine.

### **Individuals**

Submit the Individual Investor Application along with all supporting documents referenced in the Enclosures section on page 2 of the application. A \$350 application fee is required to be included with the application package. Make checks payable to the Finance Authority of Maine.

### **Private Venture Capital Funds**

Submit the Private Venture Fund Application along with all supporting documents referenced in the Enclosures section on page 2 of the application. A \$650 application fee

is required to be included with the application package. Make checks payable to the Finance Authority of Maine.

## Application

The appropriate application and all supporting documents referenced within it must be completed and returned to FAME with the applicable fee in order to complete the application process:

## Application Downloads

- Maine Seed Capital Tax Credit Private Venture Fund Application
- Maine Seed Capital Tax Credit Individual Application
- Maine Seed Capital Tax Credit Business Application
- Employment Plan

All documents are available for download in PDF format from [FAMEmaine.com](http://FAMEmaine.com). Downloaded documents should be viewed with Adobe Acrobat.

## Contact FAME

207-623-3263 or 1-800-228-3734

[Business@FAMEmaine.com](mailto:Business@FAMEmaine.com)