

MAINE STATE LEGISLATURE

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THIRD SPECIAL SESSION

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 2215

H. P. 2349

December 6, 1978

Governor's Bill. The Committee on Taxation suggested and 1,500 ordered printed.

Presented by Mr. Martin of Eagle Lake, Speaker of the House, on behalf of the Governor.

Co-sponsor: Mr. Palmer of Nobleboro.

EDWIN H. PERT
Clerk of the House

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-EIGHT

AN ACT Providing for a Jobs and Investment Tax Credit.

Be it enacted by the People of the State of Maine, as follows:

36 MRSA §§ 5214 and 5215 are enacted to read:

§ 5214. Legislative findings and purpose

The Legislature finds the encouragement of the growth of major industry in the State of Maine to be in the public interest and for the promotion of the general welfare of the people of the State of Maine; and that the use of investment tax credits to encourage industry to make substantial capital investments in the State of Maine is necessary to promote the purpose of the Legislature of encouraging the growth of industry; and that the Legislature further finds that the selecting of limits of \$5,000,000 in qualified investment in the State of Maine and an increase of a new job credit base of \$1,200,000 for a taxable year are reasonable qualifying criteria for the application of an investment tax credit and will best promote substantial capital investment in the State of Maine.

§ 5215. Jobs and investment tax credit

1. Credit allowed. A taxpayer, other than an electric, gas, railroad, telegraph, telephone and water company, as defined by Title 35, section 15, shall be allowed a credit to be computed as hereinafter provided against the tax

imposed by this Part, subject to the limitations contained in subsection 3. The amount of the credit shall equal the qualified federal credit, as defined in subsection 2, for taxable years beginning on or after January 1, 1979.

2. **Qualified federal credit.** The term "qualified federal credit" means, with respect to any taxable year, that portion of the credit allowed by the Internal Revenue Code, Section 38, which is directly and solely attributable to qualified investment with a situs in this State and placed in service by the taxpayer after January 1, 1979.

3. **Limitations.** The tax credit for any taxable year shall be applicable only to those taxpayers:

A. With property considered to be qualified investment of at least \$5,000,000 for that taxable year with a situs in this State and placed in service by the taxpayer after January 1, 1979; and

B. With a new jobs credit base, as defined in section 5213, which increases directly through the operation of property considered to be qualified investment by at least \$1,200,000 for the taxable year of the qualified federal credit.

4. **Carryover.** The amount of credit that may be used by a taxpayer for any taxable year shall not exceed either \$300,000 or the amount of tax otherwise due. If the amount of credit allowable under this section for any taxable year is in excess of either \$300,000 or the amount of tax which would have been due, the excess shall be considered unused credit which may be carried over to the following year or years for a period not to exceed 7 years, including the year the credit was first taken, and may be deducted from the taxpayer's tax for such year or years, subject to the same limitations provided herein.

5. **Carryback.** There shall be no carryback to prior years of the amount of credit allowable under this section.

6. **Recapture.** If during any taxable year any qualified investment property is disposed of, or otherwise ceases to be property covered by subsection 2 with respect to the taxpayer, before the end of the useful life which was taken into account in computing the credit under subsection 1, then the tax under this Part for that taxable year shall be increased by an amount equal to the aggregate decrease in the credit allowed under subsection 1 for all prior taxable years which would have resulted solely from substituting for the useful life, in determining qualified investment under the Internal Revenue Code, the period beginning with the time the property was placed in service by the taxpayer and ending with the time the property ceased to be property covered by subsection 2.

STATEMENT OF FACT

The purpose of this bill is to encourage the creation of new jobs by providing an income tax credit for investment of at least \$5,000,000 in eligible

property, generally tangible personal property used in the manufacturing process, which creates at least 200 jobs associated with the investment.

The maximum tax credit per year is \$300,000. However, amounts available for the credit, except for the \$300,000 limitation, can be claimed by the taxpayer for a period of 7 years.

It is estimated that there will be no adverse effect on state revenues. The bill is not effective until January 1, 1979. Therefore, the credit will be first accounted for in the taxpayer's 1979 tax return accounted for in the state's fiscal year ended June 30, 1980.

For fiscal year 1980 and thereafter, the investment eligible for the credit is so restricted that it is estimated that the increased sales taxes, personal income taxes and corporate income taxes from related parties as a result of the investment will offset the reduction of corporate income taxes from the investment tax credit.