

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 700

S.P. 229

In Senate, February 25, 1993

An Act to Develop and Expand Markets for Recycled Materials.

Submitted by the Maine Waste Management Agency pursuant to Joint Rule 24.
Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator BALDACCI of Penobscot.
Cosponsored by Senator SUMMERS of Cumberland, Representative ZIRNKILTON of Mount
Desert and
Representative: SAXL of Bangor.

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

2
4 Sec. 1. 36 MRSA §2526, as corrected by RR 1991, c. 2, §134,
is amended to read:

6 **§2526. Solid waste reduction investment tax credit**

8 1. **Definitions.** As used in this section, unless the
context otherwise indicates, the following terms have the
10 following meanings.

12 A. "Employing unit" has the same meaning as in Title 26,
section 1043.

14 B. "Solid waste" has the same meaning as in Title 38,
16 section 1303-C.

18 C. "Waste reduction, reuse or recycling equipment" means
structures, machinery, equipment or devices, singly or in
20 combination, designed and required to reduce solid waste
generated by the employing unit or to separate, process,
22 modify, convert, treat or repair solid waste generated
within the State so that component materials or substances
24 or recoverable resources may be used as a raw material or
for productive use and includes:

26 (1) Vehicles designed and dedicated exclusively for
28 the collection of source-separated municipal solid
waste generated within the State for the purpose of
30 recycling;

32 (2) Add-ons or trailers designed to modify collection
vehicles and dedicated to sorting, separating and
34 transporting collected wastes generated within the
State that are held for the purpose of recycling; ~~or~~

36 (3) Containers for the source separation and temporary
38 storage of recyclable wastes generated within the
State; or

40 (4) Industrial processing equipment designed to clean,
42 purify and convert waste into a manufacturing feedstock.

44 "Waste reduction, reuse or recycling equipment" does not
include structures, machinery, equipment or devices used to
46 burn solid waste.

48 D. "Investment credit base of equipment" means the total
original basis of the equipment for federal income tax
50 purposes, adjusted to exclude all architectural and
engineering fees, site survey fees, legal expenses,

2 development fees and insurance premiums, of the taxpayer for
3 equipment that was placed into service for the first time in
4 the State by the taxpayer or other person during the tax
5 year for which the credit is claimed.

6 **2. Credit allowed.** A taxpayer constituting an employing
7 unit that purchases and uses, or purchases and leases to a person
8 for use by that person at a fixed facility that separates,
9 processes, converts or treats solid waste intended for sale by
10 that person, any waste reduction, reuse or recycling equipment,
11 ~~or other equipment~~ used exclusively in the implementation of a
12 solid waste reduction, reuse or recycling program, is entitled to
13 a credit against the tax imposed by this Part ~~equal to 30% of the~~
14 ~~cost of that equipment incurred during the taxable year.~~ "Cost
15 of the equipment" means the original basis, without adjustment,
16 of the equipment for federal income tax purposes exclusive of all
17 architectural and engineering fees, site survey fees, legal
18 expenses, development fees and insurance premiums that are
19 included in the basis of the equipment for federal income tax
20 purposes. A taxpayer may claim one of the following credits.

21 A. The credit allowed for equipment used to manage the
22 taxpayer's own waste is 25% of the investment credit base of
23 the equipment.

24 B. The credit allowed for equipment used to manage the
25 collection and processing of waste generated by parties
26 other than the taxpayer is 20% of the investment credit base
27 of the equipment.

28 C. The credit allowed for equipment used to convert waste
29 into a feedstock that can substitute for virgin materials in
30 a manufacturing process is 30% of the investment credit base
31 of the equipment or from January 1, 1993 until the day prior
32 to the effective date of the legislation.

33 D. The credit allowed for equipment placed into service
34 from January 1, 1990 to June 30, 1991 is 30% of the
35 investment credit base of the equipment or from January 1,
36 1993 until the day prior to the effective date of this
37 paragraph.

38 **3. Eligible equipment.** Purchases Equipment eligible for
39 the credit allowed under this section ~~include structures,~~
40 ~~machinery,~~ includes waste reduction, reuse or recycling equipment
41 ~~and devices~~ used to reduce, reuse or recycle solid waste, at
42 least 90% of which is generated within the State. A certificate
43 that the ~~structures, machinery,~~ equipment and ~~devices~~ qualifies
44 for the credit provided for in this section from the
45 Maine Waste Management Agency is required before the tax credit
46 may be taken. ~~Machinery and equipment~~ Equipment associated with

2 the separation of wastes prior to incineration are is eligible
when the Maine Waste Management Agency certifies that the
separated wastes are being recycled.

4
6 **4. Limitation; carry-over.** The amount of the credit that
may be used by a taxpayer for a taxable year may not exceed 50%
of the amount of tax otherwise due under this Part for that
8 year. A credit may not be used to reduce taxes in any tax year
starting before January 1, 1993. Any unused credit may be
10 carried over to the following year or years for a period not to
exceed 15 years-~~or may be carried back for a period not to exceed~~
12 ~~3-years~~ .

14 **5. Application.** This section applies to equipment
purchased and placed into use during the period from January 1,
16 1990 to June 30, 1991 or in any tax year beginning on or after
January 1, 1993.

18
20 **6. Recapture.** If a taxpayer disposes of equipment for
which a credit was claimed within 4 years from the date that the
equipment was placed into service, the tax imposed under this
Part for the taxable year in which the disposition occurs is
increased by an amount equal to the amount allowed as a credit in
the year of disposition and all prior years. Any unused credit
attributable to the disposed-of equipment is disallowed.

26
28 **Sec. 2. 36 MRSA §5219-D**, as corrected by RR 1991, c. 2, §139,
is amended to read:

30 **§5219-D. Solid waste reduction investment tax credit**

32 **1. Definitions.** As used in this section, unless the
context otherwise indicates, the following terms have the
34 following meanings.

36 A. "Employing unit" has the same meaning as in Title 26,
section 1043.

38 B. "Solid waste" has the same meaning as in Title 38,
40 section 1303-C.

42 C. "Waste reduction, reuse or recycling equipment" means
structures, machinery, equipment or devices, singly or in
44 combination, designed and required to reduce solid waste
generated by the employing unit or to separate, process,
46 modify, convert, treat or repair solid waste generated
within the State so that component materials or substances
48 or recoverable resources may be used as a raw material or
for productive use and includes:

2 (1) Vehicles designed and dedicated exclusively for
the collection of source-separated municipal solid
4 waste generated within the State for the purpose of
recycling;

6 (2) Add-ons or trailers designed to modify collection
vehicles and dedicated to sorting, separating and
8 transporting collected wastes generated within the
State that are held for the purpose of recycling;-er

10 (3) Containers for the source separation and temporary
12 storage of recyclable wastes generated within the
State; or

14 (4) Industrial processing equipment designed to clean,
16 purify and convert waste into a manufacturing feedstock.

18 "Waste reduction, reuse or recycling equipment" does not
include structures, machinery, equipment or devices used to
20 burn solid waste.

22 D. "Investment credit base of equipment" means the total
original basis of the equipment for federal income tax
24 purposes, adjusted to exclude all architectural and
engineering fees, site survey fees, legal expenses,
26 development fees and insurance premiums, of the taxpayer for
equipment that was placed into service for the first time in
28 the State by the taxpayer or other person during the tax
year for which the credit is claimed.

30 **2. Credit allowed.** A taxpayer constituting an employing
32 unit that purchases and uses, or purchases and leases to a person
for use by that person at a fixed facility that separates,
34 processes, converts or treats solid waste intended for sale by
that person, any waste reduction, reuse or recycling equipment,
36 ~~or other equipment~~ used exclusively in the implementation of a
solid waste reduction, reuse or recycling program, is entitled to
38 a credit against the tax imposed by this Part ~~equal to 30% of the~~
~~cost of that equipment incurred during the taxable year.~~ "Cost
40 of the equipment" means the original basis, without adjustment,
of the equipment for federal income tax purposes exclusive of all
42 architectural and engineering fees, site survey fees, legal
expenses, development fees and insurance premiums that are
44 included in the basis of the equipment for federal income tax
purposes. A taxpayer may claim one of the following credits.

46 A. The credit allowed for equipment used to manage the
48 taxpayer's own waste is 25% of the investment credit base of
the equipment.

50

2 B. The credit allowed for equipment used to manage the
3 collection and processing of waste generated by parties
4 other than the taxpayer is 20% of the investment credit base
5 of the equipment.

6 C. The credit allowed for equipment used to convert waste
7 into a feedstock that can substitute for virgin materials in
8 a manufacturing process is 30% of the investment credit base
9 of the equipment.

10 D. The credit allowed for equipment placed into service
11 during the period from January 1, 1990 to June 30, 1991 is
12 30% of the investment credit base of the equipment or from
13 January 1, 1993 until the day prior to the effective date of
14 this paragraph.

15 **3. Eligible equipment.** Purchases Equipment eligible for
16 the credit allowed under this section ~~include--structures,~~
17 ~~machinery,~~ includes waste reduction, reuse or recycling equipment
18 ~~and--devices~~ used to reduce, reuse or recycle solid waste, at
19 least 90% of which is generated within the State. A certificate
20 that the ~~structures--machinery,~~ equipment ~~and--devices--qualify~~
21 qualifies for the credit provided for in this section from the
22 Maine Waste Management Agency is required before the tax credit
23 may be taken. ~~Machinery--and--equipment~~ Equipment associated with
24 the separation of wastes prior to incineration is eligible
25 when the Maine Waste Management Agency certifies that the
26 separated wastes are being recycled.
27

28 **4. Limitation; carry-over.** The amount of the credit that
29 may be used by a taxpayer for a taxable year may not exceed 50%
30 of the amount of tax otherwise due under this Part for that
31 year. A credit may not be used to reduce taxes in any tax year
32 starting before January 1, 1993. Any unused credit may be
33 carried over to the following year or years for a period not to
34 exceed 15 years ~~or may be carried back for a period not to exceed~~
35 ~~3--years.~~
36

37 **5. Application.** This section applies to equipment
38 purchased and placed into use during the period from January 1,
39 1990 to June 30, 1991 or in any tax year beginning on or after
40 January 1, 1993.
41

42 **6. Recapture.** If a taxpayer disposes of equipment for
43 which a credit was claimed within 4 years from the date that the
44 equipment was placed into service, the tax imposed under this
45 Part for the taxable year in which the disposition occurs is
46 increased by an amount equal to the amount allowed as a credit in
47 the year of disposition and all prior years. Any unused credit
48 attributable to the disposed-of equipment is disallowed.
49

STATEMENT OF FACT

2

4 The investment tax credit is an incentive for private
6 investment in waste reduction and recycling equipment and
6 programs. The purpose of this bill is to acknowledge and
6 encourage the need for expanded markets for recycled materials.

8

10 This bill amends the investment tax credit for solid waste
12 reduction and recycling equipment to allow credit for waste
14 reduction equipment, defines the investment credit base of
16 equipment and refers consistently to this term throughout, and
18 adds a recapture provision. The bill also amends use of the
20 investment tax credit as follows:

14

16 1. 25% of the credit base of equipment used to manage the
18 taxpayer's own waste;

18

20 2. 20% of the credit base of equipment used to manage the
22 collection, processing of waste generated by parties other than
24 the taxpayer;

22

24 3. 30% of the credit base of equipment used to convert
26 waste into a processable feedstock that can substitute for virgin
28 materials in a manufacturing process; and

26

30 4. 30% for equipment placed into service during the period
32 from January 1, 1990 to June 30, 1991.