

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

SECOND REGULAR SESSION-2010

Legislative Document

No. 1679

S.P. 651

In Senate, January 6, 2010

**An Act To Create Jobs and Stimulate Economic Development by
Making Captive Insurers Eligible for Pine Tree Development Zone
Benefits for 10 Years**

(EMERGENCY)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Business, Research and Economic Development suggested and ordered printed.

A handwritten signature in cursive script, reading 'Joy J. O'Brien'.

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator ALFOND of Cumberland.
Cosponsored by Representative WATSON of Bath and
Senator: DAMON of Hancock, Representatives: BECK of Waterville, LEGG of Kennebunk,
MacDONALD of Boothbay, PILON of Saco, PIOTTI of Unity, STUCKEY of Portland.

1 **Emergency preamble.** Whereas, acts and resolves of the Legislature do not
2 become effective until 90 days after adjournment unless enacted as emergencies; and

3 **Whereas,** during the First Regular Session of the 124th Legislature, Public Law
4 2009, chapter 335 was enacted to modernize the State's insurance laws to encourage the
5 formation of new captive insurance companies in this State; and

6 **Whereas,** this legislation would stimulate economic development by amending the
7 State's tax laws to attract captive insurance companies to the State by making captive
8 insurance companies eligible for Pine Tree Development Zone tax credits; and

9 **Whereas,** in the judgment of the Legislature, these facts create an emergency within
10 the meaning of the Constitution of Maine and require the following legislation as
11 immediately necessary for the preservation of the public peace, health and safety; now,
12 therefore,

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

14 **Sec. 1. 30-A MRSA §5250-I, sub-§8,** as enacted by PL 2003, c. 688, Pt. D, §2, is
15 amended to read:

16 **8. Financial services.** "Financial services" means services provided by an insurance
17 company subject to taxation under Title 36, chapter 357; a captive insurance company
18 formed or licensed under Title 24-A, chapter 83; a financial institution subject to taxation
19 under Title 36, chapter 819; or a mutual fund service provider as defined in Title 36,
20 section 5212, subsection 1, paragraph E.

21 **Sec. 2. 30-A MRSA §5250-I, sub-§21-A,** as enacted by PL 2009, c. 461, §11, is
22 amended to read:

23 **21-A. Tier 1 location.** "Tier 1 location" means a location designated by the
24 department to be eligible for Pine Tree Development Zone benefits for a period of 10
25 years. Notwithstanding any other provision of this subchapter, a captive insurance
26 company formed or licensed under Title 24-A, chapter 83 whose principal place of
27 business is located in this State is deemed to be located in a tier 1 location for all purposes
28 of this subchapter.

29 **Sec. 3. 30-A MRSA §5250-J, sub-§3-A,** as enacted by PL 2009, c. 461, §17, is
30 amended to read:

31 **3-A. Pine Tree Development Zone classification; tier 1 locations.** Beginning
32 January 1, 2009, the department shall classify the following units of local government on
33 an annual basis as tier 1 locations:

34 A. From January 1, 2009 to December 31, 2009, all units of local government; and

35 B. Beginning January 1, 2010, a unit of local government that is contained in a
36 county other than Cumberland County or York County, as well as a unit of local
37 government that is contained in Cumberland County or York County with a
38 municipal unemployment rate that is 15% higher than its labor market unemployment

1 rate, based upon data published by the Department of Labor from the last completed
2 calendar year; and

3 C. Notwithstanding any other provision of this subchapter, beginning January 1,
4 2010, a captive insurance company formed or licensed under Title 24-A, chapter 83
5 whose principal place of business is located in the State is deemed to be located in a
6 tier 1 location for all purposes of this subchapter.

7 A unit of local government that has been designated by the department as a participating
8 municipality in the Pine Tree Development Zone program as of December 31, 2008 ~~will~~
9 must be classified as a tier 1 location.

10 Property within a military redevelopment zone ~~as long as~~ is deemed to be located in a
11 tier 1 location if the property is classified by the department no later than December 31,
12 2018.

13 **Sec. 4. 36 MRSA §5219-W, sub-§1**, as amended by PL 2005, c. 351, §13 and
14 affected by §26, is further amended to read:

15 **1. Credit allowed.** Except as provided by subsection 2, a taxpayer that is a qualified
16 Pine Tree Development Zone business as defined in Title 30-A, section 5250-I,
17 subsection 17 is allowed a credit in the amount of:

18 A. One hundred percent of the tax that would otherwise be due under this Part for
19 each of the first 5 tax years beginning with the tax year in which the taxpayer
20 commences its qualified business activity, as defined in Title 30-A, section 5250-I,
21 subsection 16; and

22 B. Fifty percent of the tax that would otherwise be due under this Part for each of
23 the 5 tax years following the time period in paragraph A; and

24 C. In the case of a qualified Pine Tree Development Zone business that is a captive
25 insurance company formed or licensed under Title 24-A, chapter 83, 100% of the tax
26 that would otherwise be due under this Part for the first 10 tax years beginning with
27 the tax year in which the taxpayer commences its qualified business activity, as
28 defined in Title 30-A, section 5250-I, subsection 16.

29 **Sec. 5. 36 MRSA §5219-W, sub-§4**, as enacted by PL 2003, c. 451, Pt. NNN, §5
30 and affected by §8, is amended to read:

31 **4. Limitation.** The credit provided by this section may not be claimed for tax years
32 beginning on or after January 1, ~~2019~~ 2029.

33 **Emergency clause.** In view of the emergency cited in the preamble, this
34 legislation takes effect when approved.

35 **SUMMARY**

36 This bill makes captive insurance companies located anywhere in the State eligible
37 for Pine Tree Development Zone benefits for a 10-year period and provides for a 100%
38 state income tax credit during that 10-year period. The bill also extends the availability

1 of the income tax credit for all qualified Pine Tree Development Zone businesses for 10
2 years until 2029.