

# MAINE STATE LEGISLATURE

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STATE OF MAINE

SENATE

129TH LEGISLATURE

FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 375, L.D. 1200, Bill, "An Act To Amend the Maine Seed Capital Tax Credit Program"

Amend the bill by striking out all of section 1 and inserting the following:

Sec. 1. 10 MRSA §1100-T, sub-§2, ¶A, as amended by PL 2013, c. 438, §3, is further amended to read:

A. For investments made in tax years beginning before January 1, 2012, a tax credit certificate may be issued in an amount not more than 40% of the amount of cash actually invested in an eligible Maine business in any calendar year or in an amount not more than 60% of the amount of cash actually invested in any one calendar year in an eligible Maine business located in a high-unemployment area, as determined by rule by the authority. For investments made in tax years beginning on or after January 1, 2012, a tax credit certificate may be issued to an investor other than a private venture capital fund in an amount not more than 60% of the amount of cash actually invested in an eligible Maine business in any calendar year. For investments made in tax years beginning on or after January 1, 2014, a tax credit certificate may be issued to an investor other than a private venture capital fund in an amount not more than 50% of the amount of cash actually invested in an eligible Maine business in any calendar year. For investments made after April 1, 2019, a tax credit certificate may be issued to an investor other than a private venture capital fund in an amount not more than 40% of the amount of cash actually invested in an eligible Maine business in any calendar year. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Sec. 2. 10 MRSA §1100-T, sub-§2, ¶I, as enacted by PL 2001, c. 642, §7 and affected by §12, is amended to read:

I. The business receiving the investment may not be in violation of the requirements of subsection 6 7.'

Amend the bill by inserting after section 2 the following:

COMMITTEE AMENDMENT

1           **'Sec. 3. 10 MRSA §1100-T, sub-§2-A, ¶B,** as amended by PL 2009, c. 470, §3,  
2 is further amended to read:

3           B. As used in this subsection, unless the context otherwise indicates, an "eligible  
4 business" means a business located in the State that:

- 5                   (1) Is a manufacturer;
- 6                   (2) Is engaged in the development or application of advanced technologies;
- 7                   (3) Provides a product or service that is sold or rendered, or is projected to be  
8 sold or rendered, predominantly outside of the State;
- 9                   (4) Brings capital into the State, as determined by the authority; or
- 10                  (5) Is certified as a visual media production company under Title 5, section  
11 13090-L.'

12           Amend the bill by striking out all of section 4 and inserting the following:

13           **'Sec. 4. 10 MRSA §1100-T, sub-§2-C, ¶B,** as amended by PL 2013, c. 438, §4,  
14 is further amended to read:

15           B. As used in this subsection, unless the context otherwise indicates, "eligible  
16 business" means a business located in the State that has certified that the amount of  
17 the investment is necessary to allow the business to create or retain jobs in the State  
18 and that, as determined by the authority:

- 19                   (1) Is a manufacturer or a value-added natural resource enterprise;
- 20                   (2) Is engaged in the development or application of advanced technologies;
- 21                   (3) Provides a product or service that is sold or rendered, or is projected to be  
22 sold or rendered, predominantly outside of the State; or
- 23                   (5) Is certified as a visual media production company under Title 5, section  
24 13090-L.'

25           Amend the bill by striking out all of section 7 and inserting the following:

26           **'Sec. 7. 10 MRSA §1100-T, sub-§4,** as amended by PL 2013, c. 438, §5, is  
27 further amended to read:

28           **4. Total of credits authorized.** The authority may issue tax credit certificates to  
29 investors eligible pursuant to subsections 2, 2-A and 2-C in an aggregate amount not to  
30 exceed \$2,000,000 up to and including calendar year 1996, \$3,000,000 up to and  
31 including calendar year 1997, \$5,500,000 up to and including calendar year 1998,  
32 \$8,000,000 up to and including calendar year 2001, \$11,000,000 up to and including  
33 calendar year 2002, \$14,000,000 up to and including calendar year 2003, \$17,000,000 up  
34 to and including calendar year 2004, \$20,000,000 up to and including calendar year 2005,  
35 \$23,000,000 up to and including calendar year 2006, \$26,000,000 up to and including  
36 calendar year 2007 and \$30,000,000 up to and including calendar year 2013, in addition  
37 to which, the authority may issue tax credit certificates to investors eligible pursuant to  
38 subsections 2, 2-A and 2-C in an annual amount not to exceed \$675,000 for investments

1 made between January 1, 2014 and December 31, 2014, \$4,000,000 for investments made  
2 in calendar year 2015 and, \$5,000,000 for investments made in calendar years 2016 to  
3 2018, \$15,000,000 for investments made in calendar years 2019 to 2025 and \$5,000,000  
4 each year for investments made in calendar years beginning with 2016 2026. The  
5 authority may provide that investors eligible for a tax credit under this section in a year  
6 when there is insufficient credit available are entitled to take the credit when it becomes  
7 available subject to limitations established by the authority by rule. Rules adopted  
8 pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375,  
9 subchapter 2-A.

10 **Sec. 8. 10 MRSA §1100-T, sub-§6**, as amended by PL 2011, c. 454, §8, is  
11 repealed.

12 **Sec. 9. 10 MRSA §1100-T, sub-§7** is enacted to read:

13 **7. Reports.** The following reports are required regarding activities under this  
14 section.

15 A. A business eligible to have investors receive a tax credit under this section shall  
16 report to the authority, in a manner to be determined by the authority, the following  
17 information regarding its activities in the State over the calendar year in which the  
18 investment occurred and for each additional year for which a credit is claimed:

19 (1) The total amount of private investment received by the eligible business from  
20 each investor eligible to receive a tax credit;

21 (2) The total number of persons employed by the eligible business as of  
22 December 31st;

23 (3) The total number and geographic location of jobs created and retained by the  
24 eligible business stated separately for all jobs in the State and for those jobs that  
25 would not have been created or retained in the absence of the credit;

26 (4) Total annual payroll of the eligible business stated separately for all  
27 employees in the State and for those employees who would not have been  
28 employed in the absence of the credit; and

29 (5) Total sales revenue of the eligible business stated separately within and  
30 outside the State.

31 B. An investor eligible for a tax credit under this section shall notify the authority  
32 when a business that received an investment from that investor eligible for a credit  
33 under this section ceases operations and the likely reasons for the cessation of  
34 business.

35 C. The authority shall report annually to the joint standing committee of the  
36 Legislature having jurisdiction over taxation matters and to the Office of Program  
37 Evaluation and Government Accountability on all activity under this section during  
38 the prior calendar year. The authority shall identify in its report businesses receiving  
39 investments eligible for a credit under this section and the authority's determination  
40 as to whether the investments would have been made in the absence of the credit.

41 **Sec. 10. 36 MRSA §5216-B, sub-§6** is enacted to read:

1 6. Evaluation; specific public policy objective; performance measures. The  
2 credit provided under this section is subject to ongoing legislative review in accordance  
3 with Title 3, chapter 37. The Office of Program Evaluation and Government  
4 Accountability shall submit an evaluation of the credit provided under this section to the  
5 joint legislative committee established to oversee program evaluation and government  
6 accountability matters and the joint standing committee of the Legislature having  
7 jurisdiction over taxation matters. In developing evaluation parameters to perform the  
8 review, the office shall consider:

9 A. That the specific public policy objectives of the credit provided under this section  
10 are:

11 (1) To increase job opportunities for residents of the State in businesses that  
12 export products or services from the State;

13 (2) To increase private investment in small new and existing businesses,  
14 especially those that experience significant difficulty in the absence of investment  
15 incentives in obtaining equity financing to carry the businesses from start-up  
16 through initial development; and

17 (3) To increase municipal tax bases; and

18 B. Performance measures, including, but not limited to:

19 (1) The number and geographic distribution of full-time employees added or  
20 retained during a period being reviewed who would not have been added or  
21 retained in the absence of the credit;

22 (2) The amount of qualified investment in eligible businesses during the period  
23 being reviewed;

24 (3) The change in the number of businesses created or retained in the State as a  
25 result of the credit;

26 (4) Measures of fiscal impact and overall economic impact to the State; and

27 (5) The amount of the tax revenue loss for each year being reviewed divided by  
28 the number of jobs created or retained.'

29 Amend the bill by relettering or renumbering any nonconsecutive Part letter or  
30 section number to read consecutively.

31 **SUMMARY**

32 This amendment restricts the increase in the overall annual limit on total authorized  
33 credits to calendar years 2019 to 2025, removes the requirement that a majority of an  
34 eligible business's employment associated with the creation and sale of a product or a  
35 provision of services be within the State and provides a structure for the required  
36 reporting of data to facilitate an evaluation of the effectiveness of the credit by the Office  
37 of Program Evaluation and Government Accountability.

**FISCAL NOTE REQUIRED**  
(See attached)



# 129th MAINE LEGISLATURE

LD 1200

LR 1066(02)

## An Act To Amend the Maine Seed Capital Tax Credit Program

Fiscal Note for Bill as Amended by Committee Amendment *A* (S-164)

Committee: Taxation

Fiscal Note Required: Yes

### Fiscal Note

	FY 2019-20	FY 2020-21	Projections FY 2021-22	Projections FY 2022-23
<b>Net Cost (Savings)</b>				
General Fund	\$1,282,500	\$2,755,000	\$4,180,000	\$5,367,500
<b>Revenue</b>				
General Fund	(\$1,282,500)	(\$2,755,000)	(\$4,180,000)	(\$5,367,500)
Other Special Revenue Funds	(\$67,500)	(\$145,000)	(\$220,000)	(\$282,500)

### Fiscal Detail and Notes

The bill increases the maximum tax credit certificates under the Maine Seed Capital Tax Credit program from \$5 million to \$15 million per year. It would result in a reduction in General Fund revenue of \$1,282,500 in fiscal year 2019-20 and \$2,755,000 in fiscal year 2020-21 and a reduction in Local Government Fund revenue of \$67,500 in fiscal year 2019-20 and \$145,000 in fiscal year 2020-21.

The responsibilities outlined in this bill for the Office of Program Evaluation and Government Accountability (OPEGA) are already reflected in statutorily assigned work for OPEGA in reviewing tax expenditures. However, in order for OPEGA to meet the February 1, 2023 deadline for submitting their evaluation of this credit to the Taxation Committee, the Government Oversight Committee will need to prioritize this work over other planned tax expenditure reviews. Otherwise, OPEGA will need additional staff or contract resources to complete their review and submit their evaluation by February 1, 2023.

Additional costs to the Finance Authority of Maine associated with reporting requirements can be absorbed within existing budgeted resources.