

MAINE STATE LEGISLATURE

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129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 1698

H.P. 1213

House of Representatives, May 8, 2019

**An Act To Create Jobs and Slow Climate Change by Promoting the
Production of Natural Resources Bioproducts**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative FECTEAU of Biddeford.
Cosponsored by President JACKSON of Aroostook and
Representatives: BICKFORD of Auburn, MADIGAN of Waterville, STANLEY of Medway,
STEWART of Presque Isle, TERRY of Gorham, Senators: DILL of Penobscot, KEIM of
Oxford, POULIOT of Kennebec.

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

2 **Sec. 1. 36 MRSA §5219-X, sub-§5,** as amended by PL 2015, c. 267, Pt. DD,
3 §32, is further amended to read:

4 **5. Application.** This section applies to tax years beginning on or after January 1,
5 2004. Except for the credit allowed with respect to the carry-over of unused credit
6 amounts pursuant to subsection 3, the tax credit allowed under this section does not apply
7 to tax years beginning on or after January 1, 2016 and before January 1, 2020.

8 **Sec. 2. 36 MRSA §5219-VV** is enacted to read:

9 **§5219-VV. Renewable chemicals tax credit**

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

12 A. "Biobased content" means the total mass of organic carbon derived from
13 renewable biomass, expressed as a percentage, determined by testing representative
14 samples using the ASTM International D6866 standard test methods.

15 B. "Renewable biomass" has the same meaning as in 7 United States Code, Section
16 8101(13).

17 C. "Renewable chemical" means a substance, compound or mixture that:

18 (1) Is the product of, or reliant upon, biological conversion, thermal conversion
19 or a combination of biological and thermal conversion of renewable biomass;

20 (2) Is sold or used:

21 (a) For the production of chemical products, polymers, plastics or formulated
22 products; or

23 (b) As a chemical, polymer, plastic or formulated product;

24 (3) Is not less than 95% biobased content; and

25 (4) Is not sold or used for production of any food, feed or fuel, except that
26 "renewable chemical" may include:

27 (a) Cellulosic sugars used to produce aquaculture feed;

28 (b) A food additive, supplement, vitamin, nutraceutical or pharmaceutical
29 that does not provide caloric value and is not considered food or feed; and

30 (c) Cellulosic ethanol, levulinic acid or similar chemicals when sold for use
31 or for production of fuel additives in blends with gasoline or residential
32 heating oil.

33 **2. Credit allowed.** A taxpayer engaged in the production of renewable chemicals in
34 the State is allowed a credit against the tax imposed by this Part on income derived during
35 the taxable year from the production of renewable chemicals in the amount of 7¢ per
36 pound of renewable chemical.

1 **3. Credit allowed specific to forest-derived renewable biomass.** If a taxpayer
2 engaged in the production of renewable chemicals in the State qualifies for the credit
3 allowed in subsection 2 and the renewable biomass used is derived from forest products,
4 the taxpayer may apply for one of the following credits instead of the credit in subsection
5 2 when the following criteria are met:

6 A. The credit is 9¢ per pound of renewable chemical if the taxpayer demonstrates to
7 the satisfaction of the Department of Economic and Community Development that
8 the contractors hired or retained to harvest renewable biomass used in production of
9 the renewable chemical are 3rd-party certified by a northeast master logger program
10 or successor program and at least 50% of the contractors' employees are residents of
11 the United States at the time of the application for the credit; or

12 B. The credit is 12¢ per pound of renewable chemical if the taxpayer demonstrates to
13 the satisfaction of the Department of Economic and Community Development that
14 the contractors hired or retained to harvest renewable biomass used in production of
15 the renewable chemical are 3rd-party certified by a northeast master logger program
16 or successor program and at least 75% of the contractors' employees are residents of
17 the United States at the time of the application for the credit.

18 If the taxpayer does not contract directly with those hired or retained to harvest the
19 renewable biomass, the taxpayer may obtain the necessary documentation under this
20 subsection from the landowner or other entity that contracts directly.

21 **4. Reporting.** A taxpayer allowed a credit under either subsection 2 or 3 shall report
22 to the Department of Economic and Community Development, for each tax credit
23 awarded, the dollar amount of the tax credit, the number of direct manufacturing jobs
24 created, the number of related indirect jobs created and the dollar amount of capital
25 investment in manufacturing. Indirect jobs include but are not limited to jobs in logging
26 and support services.

27 **5. Limitation.** A person entitled to a tax credit under this section for any taxable
28 year may carry over and apply the portion of any unused credits to the tax liability on
29 income derived from the production of renewable chemicals for any one or more of the
30 next succeeding 10 taxable years. The credit allowed, including carryovers, may not
31 reduce the tax otherwise due under this Part to less than zero.

32 This section applies to tax years beginning on or after January 1, 2020.

33 **Sec. 3. Report.** By February 1, 2024, the Department of Economic and
34 Community Development shall submit a report relating to the usage of the renewable
35 chemicals tax credit under the Maine Revised Statutes, Title 36, section 5219-VV to the
36 joint standing committees of the Legislature having jurisdiction over taxation and
37 innovation, development, economic advancement and business matters. The report must
38 include:

- 39 1. For each tax credit awarded:
- 40 A. The dollar amount of the tax credit;

1 B. The number of direct manufacturing jobs created and the number of related
2 indirect jobs created; and

3 C. The dollar amount of capital investment in manufacturing; and

4 2. The amount in pounds of renewable chemical produced for which the credit was
5 claimed.

6 **SUMMARY**

7 This bill provides a tax credit for the production of renewable chemicals by the
8 conversion of renewable biomass from the forest, farms, the sea or solid waste. The
9 credit is equal to 7¢ per pound of renewable chemical produced in the State, 9¢ per pound
10 of renewable chemical produced in the State if the taxpayer demonstrates to the
11 satisfaction of the Department of Economic and Community Development that the
12 contractors hired or retained by a landowner to harvest renewable biomass used in
13 production of the renewable chemicals are 3rd-party certified by the Northeast Master
14 Logger program or successor program and at least 50% of the contractors' employees are
15 residents of the United States or 12¢ per pound of renewable chemical produced in the
16 State if the taxpayer demonstrates to the satisfaction of the Department of Economic and
17 Community Development that the contractors hired or retained by a landowner to harvest
18 renewable biomass used in such production are 3rd-party certified by the Northeast
19 Master Logger program and at least 75% of the contractors' employees are residents of
20 the United States. Renewable chemicals are defined to include chemicals, polymers,
21 plastics and formulated products, and to exclude substances used for food, feed or fuel,
22 with limited exceptions. The bill also reinstates the tax credit for commercial production
23 and use of biofuels.