

MAINE STATE LEGISLATURE

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132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

No. 195

S.P. 95

In Senate, January 14, 2025

An Act to Create the Small Business Capital Savings Account Program

Reference to the Committee on Housing and Economic Development suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator STEWART of Aroostook.
Cosponsored by Representative FAULKINGHAM of Winter Harbor and
Senators: BALDACCI of Penobscot, BERNARD of Aroostook, BICKFORD of Androscoggin,
HICKMAN of Kennebec, TALBOT ROSS of Cumberland, Representatives: GUERRETTE of
Caribou, HALL of Wilton, PLUECKER of Warren.

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

2 **Sec. 1. 5 MRSA §13100-A** is enacted to read:

3 **§13100-A. Small Business Capital Savings Account Program**

4 **1. Program established.** The Small Business Capital Savings Account Program is
5 established within and administered by the department to certify businesses as eligible for
6 a tax deduction under Title 36, section 5122, subsection 2, paragraph AAA or Title 36,
7 section 5200-A, subsection 2, paragraph JJ for contributions made to small business capital
8 savings accounts.

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

11 A. "Capital expenditure" means an expenditure for the acquisition of items that are
12 depreciable under the United States Internal Revenue Code of 1986, Sections 167 and
13 168.

14 B. "Eligible small business" means a business that:

15 (1) Is subject to taxation under Title 36, Part 8;

16 (2) Has its business headquarters in the State;

17 (3) Is taxed as a C corporation, an S corporation, a partnership or a sole
18 proprietorship for federal income tax purposes;

19 (4) Has no more than 99 full-time equivalent employees;

20 (5) Has its primary business activities in farming, fishing or forestry industries;

21 (6) Makes contributions in accordance with Title 26, section 1221; and

22 (7) Is determined by the department to have established no more than one small
23 business capital savings account.

24 C. "Program" means the Small Business Capital Savings Account Program established
25 in subsection 1.

26 D. "Small business capital savings account" means a savings account established in
27 the State by an eligible small business at a financial institution insured by the Federal
28 Deposit Insurance Corporation or a credit union insured by the National Credit Union
29 Administration.

30 **3. Certification of businesses.** The department shall certify up to 10 eligible small
31 businesses in each of the following industry categories:

32 A. Commercial agricultural production as defined in Title 36, section 2013, subsection
33 1, paragraph A;

34 B. Commercial fishing as defined in Title 36, section 2013, subsection 1, paragraph
35 B; or

36 C. Commercial wood harvesting as defined in Title 36, section 2013, subsection 1,
37 paragraph B-1.

38 If there are not 10 eligible small businesses in one of the industry categories specified in
39 paragraphs A to C, the department may certify eligible small businesses in one of the other

1 industry categories, but the total number of eligible small businesses certified may not
2 exceed 30. If there are more than 10 eligible small businesses in an industry category, the
3 department shall give priority in the order in which the businesses are determined to be
4 eligible.

5 **4. Requirements for small business capital savings accounts; limitations.** A small
6 business capital savings account must:

7 A. Have as its sole purpose the accumulation of capital to be used for capital
8 expenditures by the eligible small business;

9 B. Maintain a balance that does not exceed \$250,000;

10 C. Provide that withdrawals from the account may be used only for capital
11 expenditures by the eligible small business; and

12 D. Provide that all funds in the account must be withdrawn within one year of the
13 dissolution of the business.

14 Contributions to a small business capital savings account may be made beginning on or
15 after January 1, 2026 and before January 1, 2030. Contributions may not be made to a small
16 business capital savings account after December 31, 2029.

17 **5. Certification of withdrawals.** An eligible small business shall notify the
18 department of all withdrawals from a small business capital savings account and provide
19 information required by the department to verify the use of the funds withdrawn. The
20 department shall certify annually all withdrawals made by an eligible small business for
21 capital expenditures.

22 **6. Notification to the Bureau of Revenue Services.** The department shall notify the
23 Department of Administrative and Financial Services, Bureau of Revenue Services
24 annually of all eligible small businesses certified under subsection 3 that continue to meet
25 the conditions of eligibility during the calendar year and withdrawals certified under
26 subsection 5 for eligible small businesses and provide any other information necessary for
27 the bureau to determine a taxpayer's eligibility for the tax deduction under Title 36, section
28 5122, subsection 2, paragraph AAA or Title 36, section 5200-A, subsection 2, paragraph
29 JJ.

30 **7. Rules; other requirements.** The department, in consultation with the Department
31 of Administrative and Financial Services, Bureau of Revenue Services, shall adopt routine
32 technical rules, as defined in Title 5, chapter 375, subchapter 2-A, to implement this
33 section. The department may establish any other guidelines or requirements necessary for
34 the operation of the program.

35 **8. Report.** The department shall submit a report to the joint standing committee of
36 the Legislature having jurisdiction over taxation matters by November 1, 2028 that includes
37 data demonstrating the extent of business participation in the program, including the
38 number of businesses certified as eligible for the tax deductions under Title 36, section
39 5122, subsection 2, paragraph AAA and Title 36, section 5200-A, subsection 2, paragraph
40 JJ, the amount of savings contributed by eligible small businesses to small business capital
41 savings accounts during each year and the amount of withdrawals by eligible small
42 businesses each year for capital expenditures. The report must contain the department's
43 analysis of the success of the program and a recommendation regarding whether the

1 program should be continued. The committee may submit legislation related to the report
2 to the First Regular Session of the 134th Legislature.

3 **Sec. 2. 36 MRSA §191, sub-§2, ¶VVV** is enacted to read:

4 VVV. The disclosure of information to the Department of Economic and Community
5 Development necessary for administration of the Small Business Capital Savings
6 Account Program pursuant to Title 5, section 13100-A.

7 **Sec. 3. 36 MRSA §5122, sub-§1, ¶QQ** is enacted to read:

8 QQ. The amount of funds withdrawn from a small business capital savings account
9 established under Title 5, section 13100-A if the funds are not used during the tax year
10 for capital expenditures. This paragraph applies to withdrawals on or after January 1,
11 2026.

12 **Sec. 4. 36 MRSA §5122, sub-§2, ¶AAA** is enacted to read:

13 AAA. An amount up to \$250,000 in the tax year contributed to a small business capital
14 savings account that meets the requirements established under Title 5, section
15 13100-A, subsection 4 by an eligible small business certified by the Department of
16 Economic and Community Development under Title 5, section 13100-A, subsection 3.
17 This paragraph applies to contributions made on or after January 1, 2026 and before
18 January 1, 2030.

19 **Sec. 5. 36 MRSA §5200-A, sub-§1, ¶LL** is enacted to read:

20 LL. The amount of funds withdrawn from a small business capital savings account
21 established under Title 5, section 13100-A if the funds are not used during the tax year
22 for capital expenditures. This paragraph applies to withdrawals on or after January 1,
23 2026.

24 **Sec. 6. 36 MRSA §5200-A, sub-§2, ¶JJ** is enacted to read:

25 JJ. An amount up to \$250,000 in the tax year contributed to a small business capital
26 savings account that meets the requirements established under Title 5, section
27 13100-A, subsection 4 by an eligible small business certified by the Department of
28 Economic and Community Development under Title 5, section 13100-A, subsection 3.
29 This paragraph applies to contributions made on or after January 1, 2026 and before
30 January 1, 2030.

31 SUMMARY

32 This bill establishes the Small Business Capital Savings Account Program in the
33 Department of Economic and Community Development to certify small businesses
34 engaged in commercial agricultural production, commercial fishing or commercial wood
35 harvesting eligible to claim a tax deduction for contributions made to qualifying small
36 business capital savings accounts to be used for capital expenditures. The bill creates the
37 tax deduction and establishes that withdrawals from the savings accounts are taxable
38 income if not used for capital expenditures.

39 Contributions may be made beginning January 1, 2026 but may not be made after
40 December 31, 2029.