

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND FIFTH LEGISLATURE

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Legislative Document

No. 718

H. P. 546

House of Representatives, February 9, 1971

Referred to Committee on Taxation. Sent up for concurrence and ordered printed.

BERTHA W. JOHNSON, Clerk

Presented by Mr. Carey of Waterville.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-ONE

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**AN ACT Exempting New Machinery and Equipment Used for  
Manufacturing and Research from Sales and Use Tax.**

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

R. S., T. 36, § 1760, sub-§§ 31 and 32, additional. Section 1760 of Title 36 of the Revised Statutes, as amended, is further amended by adding 2 new subsections to read as follows:

31. New machinery and equipment. Sales of new machinery and equipment for use directly and primarily in the production of tangible personal property, which property is intended to be sold ultimately for final use or consumption, by manufacturing, processing, assembling or fabricating.

32. New machinery and equipment for research. Sales of new machinery and equipment for use directly and exclusively in research and development in the experimental and laboratory sense. Such research and development shall not be deemed to include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical or similar projects.

FISCAL NOTE

The short-run loss to sales and use tax revenues may possibly amount to \$3 million per year.

## STATEMENT OF FACT

Currently, in Maine a 1% increase in per capita income yields about 2.5 million more dollars in the state tax system. But a necessary step to improve per capita income in the State is more productive machinery and equipment in our manufacturing plants. From 1967-1969, new plant and equipment expenditures per worker in Maine were over 30% lower than the national average.

Maine has over 2400 manufacturing plants, many of which are small in size, old in terms of manufacturing equipment, and probably somewhat weak financially. Yet, we depend upon these firms for about 124,000 jobs. Better, higher-paying jobs than currently exist in the State can bring about a substantial increase in government revenues. It, therefore, becomes important to develop a state tax policy that encourages up-dating manufacturing machinery and equipment.

The advantages in the newest production machinery are many and involve nearly everyone within the State:

- a. lower cost manufacturing and, therefore, higher company profits;
- b. greater ability for a given Maine company to meet competition;
- c. usually new equipment enables a company to produce a higher quality product;
- d. higher wages for Maine citizens;
- e. the increased investment in machinery in the short run creates additional tax dollars;
- f. increased corporate income yields increased tax revenues;
- g. gives Maine some important competitive advantages over other states in attracting firms to locate in Maine;
- h. it will substantially help Maine close the capital equipment gap compared with the United States average.