

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

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Legislative Document

No. 658

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H. P. 540 House of Representatives, February 24, 1977  
On motion of Mr. Carey of Waterville, referred to Committee on Taxation.  
Sent up for concurrence and 2,000 ordered printed.

EDWIN H. PERT. Clerk

Presented by Mr. Palmer of Nobleboro.

Cosponsors: Mrs. Najarian of Portland, Mrs. Tarr of Bridgton.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-SEVEN

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**AN ACT Providing for an Investment Tax Credit and a Credit for the  
Creation of New Jobs.**

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

Sec. 1. 36 MRSA c. 841 is enacted to read:

CHAPTER 841

TAX CREDIT FOR INVESTMENT AND  
CREATION OF NEW JOBS

§ 5351. Credit

A taxpayer shall be allowed a credit to be computed as hereinafter provided against the tax imposed by this Part. The amount of the credit shall be 20% of the qualified federal credit as defined in section 5352.

§ 5352. Qualified federal credit

The term "qualified federal credit" means, with respect to any taxable year, that portion of the credit allowed by section 38 of the United States Internal Revenue Code which is directly and solely attributable to property with a situs in this State and placed in service by the taxpayer after the effective date of this chapter.

§ 5353. Carryover

If the amount of credit allowable under this chapter for any taxable year would reduce the tax due to less than 50% of that amount which would have

been due, any amount of credit not deductible in such taxable year may be carried over to the following year or years and may be deducted from the taxpayer's tax for such year or years, subject to the same limitations provided herein.

#### § 5354. Recapture

If during any taxable year any property is disposed of, or otherwise ceases to be property covered by section 5352 with respect to the taxpayer, before the close of the useful life which was taken into account in computing the credit under section 5351, then the tax under this Part for that taxable year shall be increased by an amount equal to the aggregate decrease in the credits allowed under section 5351 for all prior taxable years which would have resulted solely from substituting, in determining qualified investment under the United States Internal Revenue Code, for that useful life the period beginning with the time the property was placed in service by the taxpayer and ending with the time the property ceased to be property covered by section 5352.

#### § 5355. Alternative credit for new jobs

In lieu of the credit provided in section 5351, a taxpayer, which is an employing unit as defined in Title 26, section 1043, shall be allowed a credit, to be computed as hereinafter provided, against the tax imposed by this chapter. The amount of the credit for each taxable year shall be, with respect to the taxpayer, 10% of his net dollar increase in wages for employment. For the purposes of this chapter "net dollar increase in wages for employment" shall mean the excess of wages for employment subject to Title 26, section 1221, for the taxable year over such wages for the immediately preceding taxable year, less any such excess which is attributable to any statutory increase in wages for employment subject to Title 26, section 1221.

#### § 5356. Maximum credit

The maximum credit allowable to the taxpayer for any taxable year shall not exceed 50% of the tax otherwise due by that taxpayer.

#### § 5357. Successorship limitation

A successor-taxpayer shall utilize the taxable wage base of his predecessor in computing the credit allowed by this chapter. For purposes of this chapter, "taxable wage base" means the aggregate wages for employment, subject to Title 26, section 1221, paid by the taxpayer. "Successor-taxpayer" means any taxpayer which acquires the organization, trade or business, or 50% or more of the assets thereof, of another taxpayer which at the time of such acquisition was an employing unit as defined in Title 26, section 1043.

#### § 5358. Transition

Credits allowed by this chapter shall be allowed for taxable years ending on or after the effective date of this chapter.

Sec. 2. **Effective date.** This Act shall become effective on January 1, 1978.

## STATEMENT OF FACT

The purpose of this bill is to provide for alternative income tax credits for productive investments and formation of new jobs. Its purpose is to encourage and promote the creation of new full-time jobs in Maine. Credits are allowed only on productive investments for machinery and equipment within Maine or on measurable increases in the number of persons employed by a taxpayer. The bill avoids any burden of administration on the Bureau of Taxation because the investment credit provisions are keyed directly to a taxpayer's federal return.

Because of the effective date of this bill, it will have no negative impact whatever in the fiscal year 1977.

It is difficult, if not impossible, to estimate accurately the impact on employment and on state revenues which this bill would provide. While it is estimated that if advantage is taken of the provisions of this bill, there will be significant cost. It is also estimated that the credit provisions of this bill would generate gains in state revenue in the form of income and sales taxes and reduced expenditures from the State Unemployment Compensation Fund. In addition, the stimulative effect of this bill should result in a stronger economic base to resist recession and greater productivity through increased recapitalization and new jobs.