

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

SECOND REGULAR SESSION

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 2083

S. P. 675

In Senate, January 17, 1978

Governor's bill. The Committee on Business Legislation suggested.

MAY M. ROSS, Secretary

Presented by Senator Chapman of Sagadahoc.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-EIGHT

**AN ACT to Encourage the Formation of Small Business Investment Companies.**

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

Sec. 1. 9-B MRSA § 555, sub-§§ 4 and 5 are enacted to read:

4. **Small business investment companies.** The stock of small business investment companies licensed under the United States Small Business Investment Act of 1958, as amended, and commercially domiciled in Maine and doing business primarily in Maine. Not more than 1% of the deposits of an institution shall be invested in the stock of small business investment companies and any single institution shall not own more than 10% of the stock of any one small business investment company; and

5. **Maine Capital Corporation.** The stock of the Maine Capital Corporation, established under Title 10, chapter 108, in an amount not to exceed 1% of the deposits of the institution.

Sec. 2. 36 MRSA § 5202-A is enacted to read:

§ 5202-A. **Small business investment companies exempt**

**Corporate small business investment companies, licensed under the United**

**States Small Business Investment Act of 1958, as amended, and commercially domiciled in Maine and doing business primarily in Maine, shall be exempt from taxation under this Part.**

#### STATEMENT OF FACT

The United States Small Business Investment Act of 1958 provides for small business investment companies (SBICs). SBICs are private companies licensed by the Small Business Administration to provide equity capital and long-term loans not fully secured to worthy small businesses. Congress has supported SBICs by authorizing federal guarantees of SBIC loans and direct federal investments in SBICs along with providing tax incentives for SBICs and their investors. Licensed SBICs can qualify for federal funds and guarantees in addition to their private capital in a federal to private funding ratio of 3 to one or 4 to one in some circumstances.

While SBICs have been vital economic development forces in some states, no SBIC has ever been established in Maine. This legislation further encourages the formation of a SBIC in Maine by:

1. Allowing thrift institutions to make limited investments in Maine SBICs; and
2. Exempting SBICs from the Maine income tax law.

Any tax losses to the State would be insignificant and occur only if SBICs are organized and making job creating investments in Maine. The income tax exemption applies only to SBICs and does not provide additional exemptions to investors in SBICs.

Exempting SBICs entirely from the state income tax avoids complex and costly administrative requirements for the State Bureau of Taxation while providing substantially the same benefits achieved by exempting interest, dividends and capital gains separately.

The legislation also allows thrift institutions to make limited investments in the Maine Capital Corporation.