FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document **No. 1081**

H. P. 876 House of Representatives, March 7, 1979

On Motion of Mrs. Post of Owl's Head, referred to the Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. P. Jacques of Waterville.

Cosponsor: Mrs. Kany of Waterville.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED SEVENTY-NINE

AN ACT to Encourage Pilot Projects using Solid Waste for Energy Production.

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

Sec. 1. 36 MRSA § 656, sub-§ 1, ¶I is enacted to read:

I. A qualifying new solid waste energy generating facility, as hereinafter defined, actively engaged in the generation of energy shall be exempt for a period of 5 years from the date that the facility first generates power. Any person who wishes to claim this exemption shall file with his local tax assessor or board of assessors written application claiming the exemption in a manner prescribed by the assessor or board of assessors. An application for exemption from property taxation shall be filed by April 1st.

As used in this paragraph:

(1) A "qualifying new solid waste energy generating facility" means a new energy generating facility using solid waste as its primary source of fuel to include garbage, manure refuse, sludge, sawdust, shavings, chips, bark, slabs or inert ill material and excluding fossil fuels and products or materials harvested or produced for the purpose of generating energy. A qualifying new solid waste energy generating facility shall include facilities producing

energy from solid waste for consumption by the owner or energy for sale by the owner, but shall exclude solid waste energy generating facilities owned in whole or in part by a public utility, a subsidiary of a public utility or an affiliate of a public utility as defined in Title 35.

This paragraph shall remain in effect until January 1, 1985.

Sec. 2. **36 MRSA § 1760, sub-§ 41** is enacted to read:

41. Solid waste energy generating machinery and equipment. Sales of new machinery and equipment for the production of energy from solid waste for use at qualifying new solid waste energy generating facilities as defined in section 656, subsection 1, paragraph I, subparagraph (1), and which sales are certified by the Office of Energy Resources. In order to obtain certification, a person shall submit to the Office of Energy Resources or its legal successor an application for a tax, rebate, which shall state the energy equipment purchased, its manufacturer, its cost, the seller from whom the purchase was made and the use which the purchaser shall make of the equipment.

The State Tax Assessor shall refund sales or use tax paid on the solid waste generating equipment upon notice of certification by the Office of Energy Resources.

This subsection shall remain in effect until January 1, 1985.

Sec. 3. **36 MRSA § 5216** is enacted to read:

§ 5216. Tax credit for investment in qualifying new solid waste energy generating facilities

A taxpayer shall be allowed a one-time credit for every qualified investment to be applied against the taxpayer's tax liability to the State for the taxable year in which the taxpayer makes a qualified investment.

1. Qualified investment. A qualified investment for the purposes of this section means an investment in qualifying new solid waste energy generating facility.

A. For the purposes of this section, a qualifying new solid waste energy generating facility means a new energy generating facility using solid waste as its primary source of fuel to include garbage, manure refuse, sludge, sawdust, shavings, chips, bark, slabs or inert fill material and excluding fossil fuels and products or materials harvested or produced for the purpose of generating energy. A qualifying new solid waste for the consumption by the owner, but shall exclude solid waste energy generating facility shall include facilities producing energy from solid waste energy generating facilities owned in whole or in part by a public utility, a subsidiary of a public utility or an affiliate of a public utility as defined in Title 35.

2. Limitation on credit. The credit allowed under this section shall be 20% of the taxpayer's qualified investment.

3. Carry forward of the credit. If the amount of the credit determined in subsection 2 exceeds the taxpayer's total income tax obligation to the State, the excess shall be a credit carry over to each succeeding year following the first unused credit year until the taxpayer realizes the full amount of the credit provided in subsection 2.

4. Recapture for certain dispositions. If the taxpayer disposes of his qualified investment within 6 years after the date on which the taxpayer acquired his qualified investment in a transaction that gives rise to gain or loss for federal income tax purposes, then the tax liability of the taxpayer to the State for the taxable year in which the disposition occurs shall be increased by an amount equal to the amount allowed as a credit in the year of disposition and all prior years.

STATEMENT OF FACT

The purpose of this bill is to encourage the development of solid waste energy generating facilities. Solid waste includes garbage, manure refuse, sludge, sawdust, shavings, chips, bark slabs and inert fill materials. Fossil fuels and products or materials harvested or produced for the purpose of generating energy are excluded.

This bill provides complete property tax relief for these facilities for a 5-year period. This tax relief provision will automatically expire on January 1, 1985.

The bill also provides a one-time investment tax credit to any taxpayer who invests in a solid waste energy generating facility. The tax credit provided is 20% of the taxpayer's tax liability to the State of Maine for the year in which the investment is made. If the investor's tax credit cannot be used in its entirety during the year of the investment, the credit balance may be extended to succeeding years until it is completely used.

The bill also provides a sales tax exemption for new equipment used to generate energy from solid waste. These facilities are eligible for this provision which will automatically expire on January 1, 1985.

It is not possible to estimate the cost to the State that will be incurred by this bill. It will not reduce existing property tax revenues because these facilities do not exist at the present time.