

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 913

H. P. 770

House of Representatives, February 18, 1981

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

EDWIN H. PERT, Clerk

Presented by Representative Huber of Falmouth.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Provide an Investment Tax Credit for Investment in Qualifying Energy Property.

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

36 MRSA § 5216 is enacted to read:

§ 5216. Tax credit for investment in qualifying energy property

1. Allowance. 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.

2. Qualified investment. A qualified investment for the purposes of this section means an investment in qualifying energy property.

A. For the purposes of this section, qualifying energy property means new energy property, as defined in the United States Internal Revenue Code, Section 48(1), which is located in this State, but excludes energy property 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.

3. Limitation on credit. The credit allowed under this section is 20% of the taxpayer's qualified investment.

4. Carry forward of the credit. If the amount of the credit determined in

subsection 3 exceeds the taxpayer's total income tax obligation to the State, the excess becomes 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 3.

5. **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 alternative sources of energy and energy facilities. In order to accomplish this purpose, the bill proposes to provide a one-time investment tax credit to any taxpayer who invests in alternative energy property. The definition of energy property is the same as the federal definition and the investment credit is the same as the federal tax credit.

The tax credit provided is 20% of the taxpayer's tax liability to the State 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.

Since alternative energy systems are very capital intensive, the most effective form of encouragement is the investment tax credit.