

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2124

6
7 H.P. 1608

House of Representatives, February 27, 1984

8 Reported by Representative Higgins from the Committee on Taxation
9 and ordered printed under Joint Rule 18.

EDWIN H. PERT, Clerk

10 Submitted by the Joint Standing Committee on Taxation pursuant to Public
Law 1981, c. 686 §2.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FOUR
16

17 AN ACT to Provide More Venture
18 Capital to Maine Business.
19

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

22 Sec. 1. 10 MRSA §950, as amended by PL 1979, c.
23 587, §§1 and 2, is further amended by adding at the
24 end a new paragraph to read:

25 The Legislature further finds that it is prudent
26 to permit the corporation to invest outside the
27 State, except that the initial \$1,000,000 capitaliza-
28 tion and 1/3 of any additional capitalization shall
29 be reserved for investment in Maine businesses.

30 Sec. 2. 10 MRSA §951, as repealed and replaced
31 by PL 1979, c. 587, §3, is amended to read:

32 § 951. Formation; name; purposes

1 There is hereby authorized the formation, under
2 Title 13-A, of a private investment corporation to be
3 named "The Maine Capital Corporation" for the purpose
4 of providing investment capital to new Maine business
5 firms or in existing Maine business firms for pur-
6 poses of expansion and for the purpose of investing
7 outside the State, in accordance with section 952.

8 Sec. 3. 10 MRSA §952, as amended by PL 1981, c.
9 364, §1, is further amended to read:

10 §952. Limitations on purposes and powers

11 The Maine Capital Corporation shall have all of
12 the general powers of business corporations enumer-
13 ated in Title 13-A, section 202, except that:

14 1. Investments and related business dealings.
15 ~~Its~~ The investment of the initial \$1,000,000 capital-
16 ization and 1/3 of any additional capitalization,
17 shall be restricted to financings and related busi-
18 ness dealings shall be restricted to of Maine busi-
19 ness firms which, for the purposes of this chapter,
20 shall be defined as Maine business entities, includ-
21 ing, without limitation, corporations and limited
22 partnerships, whether or not the same are subsidi-
23 aries of foreign corporations, which are doing busi-
24 ness primarily in Maine or do substantially all of
25 their production in Maine. Any funds so invested in
26 Maine business firms by purchase of stock or other-
27 wise shall be used by the firms solely for the pur-
28 pose of enhancing their productive capacities or
29 ability to do business within the State, or to facil-
30 itate their ability to generate value added within
31 the State to goods or services for export to out-
32 of-state markets. The Maine Capital Corporation's
33 financings may include, in any combination and with-
34 out limitation, equity investments, loans, guarantees
35 and commitments for such financings;

36 2. Investment limited. Its investment in any one
37 Maine business firm shall be limited to a maximum of
38 \$200,000 20% of its capital;

39 The Maine Capital Corporation shall not invest in any
40 firm in which a person, or his or her spouse or de-
41 pendent children, owning common stock of the Maine
42 Capital Corporation holds over a 25% interest;

1 3. Maximum capitalization. Its ~~maximum~~ initial
2 capitalization shall not exceed \$1,000,000 and shall
3 consist of 10,000 shares of common capital stock hav-
4 ing a par value of \$100 per share. All shares offered
5 for sale by the corporation shall be for cash at
6 their par value;

7 Any capitalization in excess of the initial
8 \$1,000,000, except as provided, may be invested with-
9 out geographical limitation.

10 4. Commencement of business. Before it commences
11 doing business, the corporation shall have and there-
12 after maintain a board of 9 directors, 7 of whom
13 shall be elected by the shareholders and 2 of whom
14 shall be appointed by the Governor and shall repre-
15 sent the public interests of the State;

16 5. Amount of common stock held. No person, firm
17 or corporation shall may subscribe for, own or hold
18 directly or indirectly more than ~~1,000~~ shares 20%
19 of the common stock of the corporation at any time. For
20 the purposes of determining ownership hereunder, the
21 attribution rules of ~~section 318 of the Internal Rev-~~
22 enue Code the United States Internal Revenue Code,
23 Section 318, in effect as of the effective date of
24 this Act shall apply;

25 6. Payment of dividends. It shall not declare or
26 pay any dividends to its shareholders during its
27 first 5 years of operation and thereafter any divi-
28 dends shall be paid only on common stock whose hold-
29 ers are not using the credit for investment in the
30 Maine Capital Corporation allowed under Title 36,
31 section 5216. Dividends paid shall be limited to a
32 maximum of 50% of retained earnings, with the balance
33 being reinvested according to subsections 1 and 2;
34 and

35 7. Financial statement. It shall cause to be
36 prepared an audited financial statement, certified by
37 an independent certified public accountant, within 60
38 days after the close of each fiscal year of its oper-
39 ations, which report shall be distributed to the Gov-
40 ernor and ~~Legislative Council~~ the committee of the
41 Legislature having jurisdiction over taxation and
42 made available to the public, detailing its invest-
43 ment and financial activities.

1 Sec. 4. 10 MRSA §955 is enacted to read:

2 §955. Repeal

3 On December 31, 1988, chapter 108 shall be re-
4 pealed, and the Maine Capital Corporation may contin-
5 ue as a general business corporation under Title
6 13-A. The initial \$1,000,000 of capital invested in
7 Maine Capital Corporation shall be revised for in-
8 vestment in Maine businesses in perpetuity.

9 Sec. 5. 36 MRSA §5216, sub-§1, as amended by PL
10 1983, c. 519, §26, is further amended to read:

11 1. Credit. A resident individual, resident es-
12 tate or trust, or taxable corporation is entitled to
13 a credit against the tax otherwise due under this
14 Part equal to 50% of the amount of his or its invest-
15 ment in common stock of The Maine Capital Corporation
16 or the Maine Natural Resource Capital Corporation.
17 Twenty percent of the credit shall be taken in the
18 taxable year of the investment and 20% in each of the
19 next 4 taxable years. The credit allowed under this
20 section shall be available only to the subscribers of
21 the initial \$1,000,000 of capital in the common stock
22 of the Maine Capital Corporation.

23 Sec. 6. 36 MRSA §5216, sub-§5 is enacted to
24 read:

25 5. Repeal. On December 31, 1988, this section
26 is repealed.

27 STATEMENT OF FACT

28 The purposes of this bill are to enable the Maine
29 Capital Corporation to attract more venture capital
30 and to provide more capital for investment in Maine
31 business. To accomplish these purposes the bill:

32 1. Authorizes the Maine Capital Corporation to
33 invest in enterprise outside Maine, except that the
34 initial \$1,000,000 of the company and 1/3 of any ad-
35 ditional capital acquired by the firm are required to
36 be reserved for investment in Maine businesses. Ex-
37 cept for the restriction on the initial \$1,000,000,

1 the geographical limitation terminates at the end of
2 1988;

3 2. Limits the ownership of any single investor
4 in Maine Capital Corporation to 20% of the common
5 stock;

6 3. Limits the investment of Maine Capital Corpo-
7 ration in any single enterprise to 20% of the capi-
8 talization of Maine Capital Corporation;

9 4. Revises the application of the income tax
10 credit authorized for investments in the Maine Capi-
11 tal Corporation to the original subscribers of the
12 common stock in the corporation. The intent of this
13 provision is to restore the original Legislative in-
14 tent which was inadvertantly repealed in 1979 when
15 the law was revised to facilitate administration of
16 the tax credits; and

17 5. Repeals the Maine Capital Corporation effec-
18 tive on December 31, 1988. The Maine Capital Corpo-
19 ration will continue thereafter as a corporation or-
20 ganized under the Revised Statutes, Title 13-A.

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