## MAINE STATE LEGISLATURE

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1 2	SECOND REGULAR SESSION
3	ONE HUNDRED AND ELEVENTH LEGISLATURE
5 <b>6</b>	Legislative Document No. 2125
7 8 9 10	H.P. 1609  House of Representatives, February 27, 1984  Reported by Representative Higgins from the Committee on Taxation and ordered printed under Joint Rule 18.  EDWIN H. PERT, Clerk Submitted by the Joint Standing Committee on Taxation pursuant to Public Law 1981, chapter 686 section 2.
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12 13	STATE OF MAINE
14 15 16	IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-FOUR
17 18 19 20	AN ACT to Repeal the Maine Capital Corporation and to Incorporate it under the General Corporation Law of the State.
21 22	Be it enacted by the People of the State of Maine as follows:
23	Sec. 1. 10 MRSA c. 108, as amended, is repealed.
24 25	Sec. 2. 36 MRSA §5216, sub-§1, as amended by PL 1983, c. 519, §26, is further amended to read:
26 27 28 29 30 31 32 33	1. Credit. A resident individual, resident estate or trust, or taxable corporation is entitled to a credit against the tax otherwise due under this Part equal to 50% of the amount of his or its investment in common stock of The Maine Capital Corporation or the Maine Natural Resource Capital Corporation. Twenty percent of the credit shall be taken in the taxable year of the investment and 20% in each of the next 4 taxable years. The credit allowed under this

- section shall be available only to subscribers of the initial \$1,000,000 of capital in the common stock of the Maine Capital Corporation.
- 4 Sec. 3. 36 MRSA §5216, sub-§5 is enacted to read:
- 6 <u>5. Repeal. On December 31, 1988, this section</u> 7 is repealed.

Sec. 4. Continuation. After the effective date of this Act, the Maine Capital Corporation shall continue as a general business corporation entirely governed by the Revised Statutes, Title 13-A, except that the initial \$1,000,000 of capital originally invested in Maine Capital Corporation shall always be reserved for Maine businesses, and any unused tax credits shall continue as originally provided.

## 16 STATEMENT OF FACT

This bill repeals the legislation that created the Maine Capital Corporation and provides for the firm's operation under the state's general incorporation law. This bill also revises the income tax credit created to encourage investment in Maine Capital Corporation. The income tax credit, under this bill, applies to the original subscribers of Maine Capital Corporation common stock which the original law required. Subsequent amendments to the Maine Capital Corporation law inadvertently broadened the tax credit to include any investor in the Maine Capital Corporation.

The purpose of this bill is to terminate the relationship between the State and the Maine Capital Corporation. The legislation intended to raise \$1,000,000 for investment in Maine businesses in need of venture capital. An income tax credit of \$500,000 has been provided to the initial subscribers to accomplish this objective. As a result of the law, \$1,000,000 has been raised, of which 20% has been invested in Maine businesses and 80% has been invested in securities.

The Maine Capital Corporation has announced its intention to form a sister corporation or limited partnership to invest outside the State. Since the Maine Capital Corporation is more interested in deriving significant profits from investments in firms out-of-state which may compete with Maine businesses than it is in investing in Maine enterprise, it is no longer necessary to continue the state's relationship with the Maine Capital Corporation.

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