

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 1535

S.P. 511

In Senate, May 13, 1987

Submitted by the Finance Authority of Maine pursuant to
Joint Rule 24.

Reference to the Committee on Economic Development
suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator DILLENBACK of Cumberland.

Cosponsored by Senator PERKINS of Hancock, Senator ANDREWS
of Cumberland, Representative CROWLEY of Stockton Springs.

STATE OF MAINE

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

**AN ACT Providing for the 1987 Amendments to
the Finance Authority of Maine Act.**

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

Sec. 1. 10 MRSA §963-A, sub-§49-A is enacted to
read:

49-A. Seller-sponsored loan. "Seller-sponsored
loan" means a loan to one or more individuals or to a
family farm corporation from the seller of agricul-
tural land, which loan represents all or a signifi-
cant portion of the purchase price for that land,
provided that the authority has issued a certificate
designating the loan as a seller-sponsored loan with
respect to an identified seller after finding that
the interest rate to be charged is reasonably con-

1 sistent with current interest rates for loans for the
2 purchase of agricultural land, and that the purchas-
3 ers intend to use the land primarily for growing or
4 raising plants or animals for business purposes. The
5 loan shall cease to be a seller-sponsored loan if the
6 land ceases to be used for agricultural purposes.

7 **Sec. 2. 10 MRSA §1026-B, sub-§1, as amended by**
8 **PL 1985, c. 714, §19, is further amended to read:**

9 **1. Scope of section.** This section applies, in
10 addition to other applicable provisions of this sub-
11 chapter, when the original principal amount of the
12 mortgage insurance is \$500,000 or less, but not when
13 mortgage insurance is provided pursuant to section
14 1026-D.

15 **Sec. 3. 10 MRSA §1026-C, sub-§1, as enacted by**
16 **PL 1985, c. 344, §49, is repealed and the following**
17 **enacted in its place:**

18 **1. Scope of section.** This section applies in ad-
19 dition to and not to the exclusion of other applica-
20 ble provisions of this subchapter, but not when mort-
21 gage insurance is provided pursuant to section
22 1026-D.

23 **Sec. 4. 10 MRSA §1026-C, sub-§2, as amended by**
24 **PL 1985, c. 714, §22, is further amended to read:**

25 **2. Insurance.** The authority may provide mort-
26 gage insurance benefiting a veteran in an original
27 principal amount of \$250,000 or less in addition or
28 as an alternative to any amount provided pursuant to
29 section 1026-B.

30 **Sec. 5. 10 MRSA §1026-D, sub-§3, ¶B, as amended**
31 **by PL 1985, c. 714, §24, is further amended to read:**

32 **B.** The original principal amount of the mortgage
33 loan, including any mortgage loan secured by a
34 coordinate or priority lien or security interest
35 in the same eligible collateral which is pro-
36 posed to secure repayment of the insured mortgage
37 loan, shall not exceed the sum of the following
38 percentages of the cost or value, as determined
39 by the authority at the time of application for

1 mortgage insurance, of eligible collateral held,
2 owned, controlled or used by any eligible enter-
3 prise:

4 (1) One hundred percent of the cost or val-
5 ue of real estate designed as an industrial
6 park or 100% of the value of cash, deposits
7 of money, certificates of deposit or other
8 cash equivalents, irrevocable letters of
9 credit issued by financial institutions ac-
10 ceptable to the authority or loan guarantees
11 from insurance companies or other institu-
12 tions satisfactory to the authority;

13 (2) Ninety percent of the cost or value of
14 real estate;

15 (3) Eighty percent of the cost or value of
16 eligible collateral consisting primarily of
17 one or more fishing or other vessels;

18 (4) Seventy-five percent of the cost or
19 value of eligible collateral consisting pri-
20 marily of machinery and equipment;

21 (5) Notwithstanding subparagraph (2), 75%
22 of the cost or value of eligible collateral
23 held, owned, controlled or used by a recrea-
24 tional enterprise; or

25 (6) Sixty percent of the cost or value of
26 other eligible collateral.

27 Sec. 6. 10 MRSA §1049, as enacted by PL 1981, c.
28 476, §2, is amended to read:

29 §1049. Tax exemption

30 Revenue obligation securities issued under this
31 subchapter shall constitute a proper public purpose
32 and the securities, their transfer and the income
33 from them, including any profits made on their sale,
34 shall at all times be exempt from taxation within the
35 State, whether or not those securities, their trans-
36 fer or the income from them, including any profits
37 made on their sale, are subject to taxation under the
38 United State Internal Revenue Code, as amended.

1 Sec. 7. 10 MRSA §1054, as amended by PL 1985, c.
2 593, §3, is further amended to read:

3 §1054. Taxable bond option

4 With respect to all or any portion of any issue
5 of any bonds or any series of bonds which the author-
6 ity may issue in accordance with the limitations and
7 restrictions of this subchapter, the authority may
8 covenant and consent that the interest on the bonds
9 shall be includable, under the United States Internal
10 Revenue Code of 1954 or any subsequent corresponding
11 internal revenue law of the United States, in the
12 gross income of the holders of the bonds to the same
13 extent and in the same manner that the interest on
14 bills, bonds, notes or other obligations of the
15 United States is includable in the gross income of
16 the holders under the United States Internal Revenue
17 Code or any subsequent law. ~~The powers conferred by~~
18 Bonds issued pursuant to this section shall not be
19 subject to any limitations or restrictions of any law
20 which may limit the authority's power to so-covenant
21 and-consent issue those bonds or to the procedures
22 set forth in section 1043 or in section 1044, subsec-
23 tions 1, 11 and 12. The foregoing grant of power
24 shall not be construed as limiting the inherent power
25 of the State or its agencies under any other provi-
26 sion of law to issue debt, the interest on which is
27 includable in the gross income of the holders of the
28 interest under the United States Internal Revenue
29 Code or any subsequent law.

30 Sec. 8. 10 MRSA §1071, as enacted by PL 1981, c.
31 476, §2, is amended to read:

32 §1071. Tax exemption

33 Revenue obligation securities issued under this
34 subchapter shall constitute a proper public purpose
35 and the securities, their transfer and the income
36 from such--securities,--or--from--their--transfer them,
37 including any profit made on their sale, shall at all
38 times be exempt from taxation within the State,
39 whether or not those securities, their transfer or
40 the income from them, including any profits made on
41 their sale, are subject to taxation under the United
42 States Internal Revenue Code, as amended.

1 **Sec. 9. 10 MRSA §1074**, as enacted by PL 1985, c.
2 593, §7, is amended to read:

3 §1074. Taxable bond option

4 With respect to all or any portion of any issue
5 of bonds or any series of bonds which any municipali-
6 ty may issue in accordance with the limitations and
7 restrictions of this subchapter, the municipality may
8 covenant and consent that the interest on the bonds
9 shall be includable, under the United States Internal
10 Revenue Code of 1954 or any subsequent corresponding
11 internal revenue law of the United States, in the
12 gross income of the holders of the bonds to the same
13 extent and in the same manner that the interest on
14 bills, bonds, notes or other obligations of the
15 United States is includable in the gross income of
16 the holders under the United States Internal Revenue
17 Code or any subsequent law. ~~The powers conferred by~~
18 Bonds issued pursuant to this section shall not be
19 subject to any limitations or restrictions of any law
20 which may limit the municipality's power to ~~se-cove-~~
21 ~~nant--and--consent~~ issue those bonds or to the proce-
22 dures set forth in section 1063 or in section 1064,
23 subsection 1. Any bonds or issue or series of bonds
24 with respect to which the municipality covenants and
25 consents that the interest on the bonds shall be in-
26 cludable, under the United State Internal Revenue
27 Code of 1954 or any subsequent corresponding internal
28 revenue law of the United States in the gross income
29 of the holders of the bonds to the same extent and in
30 the same manner that interest on bills, bonds, notes
31 or other obligations of the United States is includ-
32 able in the gross income of the holders under the
33 United States Internal Revenue Code or any subsequent
34 law shall be a properly authorized, legal, valid,
35 binding and enforceable obligation of the municipali-
36 ty, regardless of whether the bonds were authorized,
37 executed, delivered or issued prior to or after the
38 effective date of this section. The foregoing grant
39 of power shall not be construed as limiting the in-
40 herent power of municipalities under any other provi-
41 sion of law to issue debt, the interest on which is
42 includable in the gross income of the holders of the
43 interest under the United States Internal Revenue
44 Code or any subsequent law.

1 Sec. 10. 12 MRSA §404, as enacted by PL 1983, c.
2 458, §1, is amended to read:

3 §404. Finance Authority of Maine

4 The Maine-Guarantee Finance Authority of Maine
5 may not finance any energy generating system project
6 under Title 10, chapter 110, if that project is lo-
7 cated in whole or in part on any river listed in sec-
8 tion 403.

9 STATEMENT OF FACT

10 The purpose of this bill is to improve and clari-
11 fy the current capabilities of the Finance Authority
12 of Maine to provide mortgage loan insurance and tax-
13 able and tax exempt financing for Maine businesses.
14 Most of the changes simply clarify or correct exist-
15 ing provisions of the Finance Authority of Maine Act.

16 Section 1 of the bill corrects an inconsistency,
17 in that the Maine Revised Statutes, Title 36, section
18 5122, subsection 2, paragraph A, provides an exemp-
19 tion from state taxation for interest on a
20 seller-sponsored loan, as defined by the FAME Act.
21 The FAME Act does not currently contain a definition
22 of seller-sponsored loan. This section would correct
23 that deficiency, defining a seller-sponsored loan as
24 a loan certified by the Finance Authority of Maine to
25 be for purchase of agricultural land at an interest
26 rate reasonably consistent with current rates. The
27 tax exemption would cease if the land ceases to be
28 used for agricultural purposes. This will provide
29 sellers with an incentive to find buyers who will not
30 divert agricultural land to other uses.

31 Sections 2, 3 and 4 clarify the applicability of
32 FAME's small business, veterans' and mortgage insur-
33 ance programs. Section 5 allows cash or cash equiva-
34 lents, including bank letters of credit or independ-
35 ent loan guarantees, to be valued at 100% for col-
36 lateral purposes.

37 Sections 6 and 8 clarify that interest and prof-
38 its revenue obligation securities of FAME or of mu-

1 municipalities are exempt from state taxation whether
2 or not they are exempt from federal taxation.

3 Sections 7 and 9 correct an ambiguity relating to
4 the issuance of taxable revenue bonds by FAME or mu-
5 nicipalities.

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