

MAINE STATE LEGISLATURE

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(New Draft of H.P. 1116, L.D. 1512)
FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 1791

H.P. 1313 House of Representatives, June 9, 1987
Reported by the Minority from the Committee on Economic
Development and printed under Joint Rule 2.

EDWIN H. PERT, Clerk
Original bill sponsored by Representative BAILEY of
Farmington. Cosponsored by Representative MICHAUD of East
Millinocket, Senators DUTREMBLE of York and COLLINS of
Aroostook.

STATE OF MAINE

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

AN ACT to Create Job Opportunity Zones.

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

Sec. 1. 5 MRSA c. 403 is enacted to read:

CHAPTER 403

JOB OPPORTUNITY ZONES

§15130. Findings

The creation of job opportunities for Maine citi-
zens is one of the highest priorities to maintain a
healthy and balanced economy. Certain parts of the
State do not enjoy the same level of economic devel-

1 opment as other areas. Differences in geographical
2 location, variations in the amount of natural or
3 built resources and population, among other factors,
4 have an impact on the ability of these areas to com-
5 pete in a global economy and expand job opportuni-
6 ties.

7 Recognizing the need to assist certain areas of
8 the State to address this economic disparity, it is
9 appropriate to establish a program of economic devel-
10 opment incentives targeted to areas of the State
11 which are not sharing in the economic growth or job
12 opportunities associated with that growth.

13 The responsibility for enhancing the development
14 potential of any area must be a partnership between
15 the locality and the State to create a local strate-
16 gy, build capacity, improve infrastructure and ser-
17 vices, identify and provide appropriate development
18 incentives and effectively market and promote the
19 community.

20 §15131. Purpose

21 Job opportunity zones are created to enhance the
22 partnership between the State and areas which are
23 found to be economically distressed or impacted by
24 sudden or severe dislocation of the economy. By
25 targeting state and local resources and selected in-
26 centives, within the context of a local economic de-
27 velopment strategy, job opportunity zones can be an
28 effective tool to encourage balanced economic growth.

29 §15132. Definitions

30 As used in this chapter, unless the context oth-
31 erwise indicates, the following terms have the fol-
32 lowing meanings.

33 1. Director. "Director" means the Director of
34 the State Development Office.

35 2. Office. "Office" means the State Development
36 Office.

37 3. Zone. "Zone" means a job opportunity zone.

1 §15133. Designation of job opportunity zones

2 The director may establish 4 demonstration zones
3 in economically distressed areas of the State as a
4 means of determining the effectiveness of such zones
5 as a tool for stimulating economic growth and devel-
6 opment.

7 1. Standards for zones. The director, by rules
8 adopted in accordance with the Maine Administrative
9 Procedure Act, Title 5, chapter 375, shall establish
10 standards for the selection of areas to be designated
11 as zones. The director shall form an advisory commit-
12 tee to consist of, at a minimum, representatives of
13 locally elected officials, economic development prac-
14 titioners and business persons. In addition, the
15 Speaker of the House shall appoint one member from
16 the House of Representatives and the President of the
17 Senate shall appoint one member from the Senate to
18 serve on the committee for a term that coincides with
19 the term to which the appointed members have been
20 elected. The committee shall assist the office in
21 the preparation of rules for the selection of zones
22 and the provisions of assistance within those zones.
23 At a minimum, the director shall apply the following
24 standards.

25 A. All zones shall be economically distressed
26 areas as determined by the director. At a mini-
27 imum, the definition of distress shall include ar-
28 reas where: The unemployment rate is at least 1.5
29 times greater than the unemployment rate for the
30 State, as reported by the Department of Labor;
31 the per capita income is less than 80% of the per
32 capita income of the State; there is a signifi-
33 cant decline in the population; or there is a
34 significant decline in the labor force as re-
35 ported by the Department of Labor.

36 B. All areas wishing to be designated as zones
37 will demonstrate local capacity for economic de-
38 velopment.

39 C. At least one zone shall be a sudden or se-
40 verely economically distressed area which has ex-
41 perienced significant layoffs.

1 D. At least one zone shall be an urban zone,
2 comprising all or part of a municipality, or a
3 collection of municipalities within the same geo-
4 graphical area, at least one of which has a popu-
5 lation greater than 10,000.

6 E. At least one zone shall be a rural zone, com-
7 prising a municipality or collection of munici-
8 palities within the same geographical area, no
9 one of which shall have a population greater than
10 10,000.

11 F. At least one zone shall be designated as a
12 response to proposed economic development which
13 will ensure the retention or creation of job op-
14 portunities through the location or expansion of
15 an industry.

16 2. Duties and responsibilities of director. The
17 director shall designate no more than 2 of the zones
18 within the fiscal year in which this chapter becomes
19 effective. The director, to the fullest extent pos-
20 sible, shall inform communities eligible for designa-
21 tion about the program, providing technical assist-
22 ance where necessary to communities interested in
23 pursuing this designation.

24 3. Life of zones. Zones shall be effective for
25 10 years from their designation by the director.

26 4. Review of program; report to Governor and
27 Legislature. The director shall review and evaluate
28 the operation of these demonstration zones. The di-
29 rector shall indicate the number and quality of jobs
30 created or retained within the zone, accompanied by
31 an analysis of related economic and community devel-
32 opment activity within the zone which is related to
33 the designation as a zone. The director shall report
34 his findings and recommendations for the extension,
35 expansion or elimination of the Job Opportunity Zone
36 Program to the Governor and Legislature no later than
37 February 1st of each first regular session of the
38 Legislature.

39 §15134. Assistance to job opportunity zones

1 Agencies of State Government shall cooperate to
2 assess the needs of zones and provide appropriate as-
3 sistance to these zones. There shall be a committee
4 composed of, at a minimum, the Director of the State
5 Development Office, Director of the State Planning
6 Office, Commissioner of Transportation, Commissioner
7 of Labor, Commissioner of Educational and Cultural
8 Services, Executive Director of the Maine Vocational-
9 Technical Institute System and the Chief Executive
10 Officer of the Finance Authority of Maine.

11 In special circumstances where it is deemed crit-
12 ical to meeting zone objectives, the director is au-
13 thorized to extend zone benefits to a business in a
14 contiguous community.

15 1. Assistance. The office shall assist zones by:

16 A. Providing planning, technical assistance and
17 resources to municipalities and regional develop-
18 ment organizations serving the zone in order to
19 assist in setting goals and priorities, determin-
20 ing approaches and identifying resources which
21 may promote economic growth;

22 B. Giving priority status in the allocation of
23 available resources as a part of the community
24 industrial buildings program;

25 C. Upon request, providing appropriate technical
26 assistance to firms and industries locating with-
27 in zones with respect to the completion of appli-
28 cations for state licenses and permits;

29 D. Focusing technical assistance and marketing
30 resources to support the business retention, ex-
31 pansion and recruitment activities within the
32 zone; and

33 E. Developing and implementing a grants program
34 for projects within the zones, utilizing such
35 money as may be appropriated by the Legislature
36 for the purpose of encouraging economic develop-
37 ment within job opportunity zones. Eligible ac-
38 tivities may include, but not be limited to, pub-
39 lic improvements and facilities, infrastructure
40 development, education and training activities,

1 construction or renovation of properties to be
2 sold or leased to businesses or a nonlapsing re-
3 volving fund which may be loaned to businesses
4 within the zone.

5 2. State Planning Office. The State Planning Of-
6 ice shall assist zones by:

7 A. Giving priority status to community develop-
8 ment block grant project applications submitted
9 for eligible projects and activities within the
10 zone to the extent allowable under federal law.

11 3. Department of Transportation. The Department
12 of Transportation shall assist zones by:

13 A. Giving priority status to requests for funds
14 for planning and implementation of eligible
15 projects and activities within the zone.

16 4. Department of Labor, Department of Education-
17 al and Cultural Services and Maine Vocational-Tech-
18 nical Institute System. The Department of Labor, De-
19 partment of Educational and Cultural Services and the
20 Maine Vocational-Technical Institute System shall as-
21 sist zones by:

22 A. Giving priority status to requests for funds
23 for training and educational projects and activi-
24 ties within the zone; and

25 B. Giving priority status in the allocation of
26 resources for demonstration projects in training
27 and education within the zone.

28 5. Application. Application for designation of
29 municipal development districts within zones shall be
30 exempt from the limitations on tax increment financ-
31 ing as stipulated in Title 30, section 4863, subsec-
32 tion 1, paragraph C, subparagraph (1). To that end,
33 municipal development district activities shall not
34 affect or be affected by limitations or activities
35 within the county in which the zone is located.

36 6. Businesses within zones. Businesses within
37 the zones shall be eligible to receive direct grants
38 of up to \$1,250 for each new full-time quality job

1 created which contributes to the export base of the
2 community, for a maximum of 200 jobs in all zones per
3 year, utilizing such money as may be appropriated by
4 the Legislature for the purpose of encouraging eco-
5 nomi c development within zones. Businesses shall be
6 eligible to receive these grants for a period of 2
7 years from the designation of the zone. Grants shall
8 be allocated to eligible businesses within zones ac-
9 ording to procedures established by the office, such
10 grants not to exceed a total of \$250,000 for all
11 businesses within the zones in a given year. The di-
12 rector, by rules adopted in accordance with the Maine
13 Administrative Procedure Act, Title 5, chapter 375,
14 shall establish the definition for a quality job and
15 the means for determining the amount of grant based
16 on the quality of the job created and its impact upon
17 target populations within the zone. Such a defini-
18 tion of a quality job should include, but not be lim-
19 ited to, provisions related to vacation, sick leave
20 and medical insurance, and an average wage relative
21 to the median for the labor market area, as defined
22 by the Department of Labor. For purposes of this
23 subsection, a job which contributes to the export
24 base of the community means that at least 50% of the
25 goods or services produced are sold outside the labor
26 market area, as defined by the Department of Labor,
27 in which the zone is located, unless the business is
28 a supplier whose primary market is another business
29 within the labor market area.

30 Sec. 2. 36 MRSA §5217 is enacted to read:

31 §5217. Credit for equity investment in job opportu-
32 nity zones

33 1. Credit. A resident individual, resident es-
34 tate or trust or taxable corporation is entitled to a
35 credit against the tax otherwise due under this Part
36 equal to 50% of the amount of the investment in a
37 business contributing to the export base of the com-
38 munity, as defined in Title 5, section 15134, subsec-
39 tion 6, operating within a job opportunity zone as
40 designated according to Title 5, chapter 403. Twenty
41 percent of the credit shall be taken in the taxable
42 year of the investment and 20% in each of the next 4
43 taxable years. The credit allowed under this section
44 shall be available to a resident individual, resident

1 estate or trust or taxable corporation to a maximum
2 of \$50,000 for each business investment. The invest-
3 ment allowed under this section shall be available to
4 a maximum of \$500,000 annually and shall be distrib-
5 uted among the job opportunity zones according to
6 procedures established by the State Development Of-
7 fice.

8 2. Limitations. The tax credit shall be appli-
9 cable with the following limitations.

10 A. The amount of credit allowed under this sec-
11 tion for any one taxable year shall not exceed
12 50% of the tax imposed on the taxpayer for that
13 taxable year before application for credit.

14 B. Application for the tax credit shall be made
15 within 2 years of the designation of the job op-
16 portunity zone.

17 C. The State Tax Assessor shall certify the eli-
18 gibility of recipients for tax investment credits
19 pursuant to this chapter.

20 3. Carry-forward. Credits not taken in accord-
21 ance with the timetable in subsection 1 because of
22 the limitation in subsection 2 may be claimed in any
23 of the 4 taxable years following the year of limita-
24 tion, provided that the limitation of subsection 2
25 shall also apply to the carry-forward years.

26 4. Recapture. If the taxpayer sells or other-
27 wise transfers the investment within 6 years after
28 the date on which the taxpayer made the investment in
29 a transaction which gives rise to gain or loss for
30 federal income tax purposes, the tax imposed under
31 this Part for the taxable year in which the disposi-
32 tion occurs shall be increased by an amount equal to
33 the amount allowed as a credit in the year of dispo-
34 sition and all prior years.

35 Sec. 3. Appropriation. The following funds are
36 appropriated from the General Fund to carry out the
37 purposes of this Act.

38 1987-88 1988-89

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FISCAL NOTE

This new draft will have the following effect on revenue:

| | <u>1987-88</u> | <u>1988-89</u> |
|-----------------------|----------------|----------------|
| General Fund | (\$47,450) | (\$94,900) |
| Local Government Fund | (\$2,550) | (\$5,100) |

STATEMENT OF FACT

This new draft authorizes the creation of 4 demonstration job opportunity zones to be designated and administered by the State Development Office. Job opportunity zones are areas of the State which are economically distressed and are designated to receive targeted resources, as well as providing additional incentives to businesses to create new employment opportunities.

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