

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
114TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT **B** to H.P. 461, L.D. 626, Bill, "An Act to Encourage Industry to Maintain and Modernize Machinery and Equipment"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 5 MRSA §1515.sub-§3 is enacted to read:

3. Carry-forward. Any funds appropriated to the Corporate Income Tax Investment Credit Fund program, along with any interest earnings, shall not lapse, but shall be carried forward until June 30, 1991. These funds shall be used to offset the credits established in Title 36, section 5219-C.

Sec. 2. 36 MRSA §5219-C is enacted to read:

§5219-C. Investment tax credit

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Directly" has the same meaning as defined in section 1752, subsection 2-A.

B. "Investment credit base" means the total original basis, without adjustment, for federal income tax purposes, of the taxpayer of all machinery and equipment which was placed in service for the first time in this State by the taxpayer or other person during the prior taxable year, excluding the basis of machinery and equipment placed in service in this State prior to January 1, 1989. In the case of a combined report, the term investment credit base means the sum of the investment credit bases for all corporations included in the report.

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C. "Machinery and equipment" means machinery and equipment as defined in section 1752, subsection 7-B, with a situs in Maine as of the last day of the immediately prior taxable year:

(1) Which was subject to an allowance for depreciation under the Code by the taxpayer as of the last day of the immediately prior taxable year or would have been subject to an allowance for depreciation under the Code by the taxpayer as of that date, but for the fact that the property had been fully depreciated; and

(2) Which is used directly and primarily in the production of tangible personal property, which property is intended to be sold or leased ultimately for final use or consumption.

D. "Primarily" has the same meaning as defined in section 1752, subsection 9-A.

E. "Production" has the same meaning as defined in section 1752, subsection 9-B.

2. Credit allowed. A taxpayer is allowed a credit against the tax imposed by this Part for each taxable year equal to 1.5% of the investment credit base of the taxpayer. In the case of an affiliated group of corporations engaged in a unitary business, the credit shall be applied against the total tax liability of all the taxable corporations in the affiliated group and shall be apportioned among those taxable corporations in the same proportion as the tax liability of each taxable corporation bears to the total tax liability of all the taxable corporations.

3. Limitation. The credit allowed by subsection 2 for the taxable year shall not exceed so much of the tax liability of the taxpayer, or the total tax liability of all taxable corporations that are members of an affiliated group engaged in a unitary business, for the taxable year as does not exceed \$25,000 plus 75% of so much of the tax liability for the taxable year as exceeds \$25,000.

4. Partnerships and S corporations. In the case of machinery and equipment held by a partnership or an S corporation, the term taxpayer as used in subsection 1 means the partnership or S corporation. For the purposes of this section, a partner of a partnership shall have an investment credit base determined by multiplying the investment credit base of the partnership by the partner's percentage interest in the taxable income or loss of the partnership for federal income tax purposes for the taxable year and a shareholder of an S corporation shall have an investment credit base determined by multiplying the

1 investment credit base of the S corporation by the shareholder's  
3 percentage share of the stock of the S corporation as of the end  
of the taxable year.

5 **Sec. 3. Application.** This Act shall apply to tax years ending  
7 on or after July 1, 1990.

9 **FISCAL NOTE**

11 This bill has no immediate effect on the General Fund  
13 because \$5,000,000 for the investment credit is already in the  
1988-89 budget. These funds are carried forward to be used in  
15 fiscal year 1990-91, the first year the credit would be  
available. The credit continues in the future, but at no  
17 additional cost beyond the \$5,000,000 annually.'

19 **STATEMENT OF FACT**

21 This amendment creates a new investment tax credit program.  
23 The net effect of the bill, due to the definition of "investment  
credit base," is a 1.5% credit on a "use it or lose it" basis.

Reported by Report B of the Committee on Taxation  
Reproduced and distributed under the direction of the Clerk of the  
House  
6/21/89 (Filing No. H-678)