

MAINE STATE LEGISLATURE

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

COMMITTEE AMENDMENT "C" 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.

1
3 C. "Machinery and equipment" means machinery and equipment
5 as defined in section 1752, subsection 7-B, with a situs in
7 Maine as of the last day of the immediately prior taxable
9 year:

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

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

31 D. "Primarily" has the same meaning as defined in section
33 1752, subsection 9-A.

35 E. "Production" has the same meaning as defined in section
37 1752, subsection 9-B.

39 2. Credit allowed. A taxpayer is allowed a credit against
41 the tax imposed by this Part for each taxable year equal to 1.5%
43 of the investment credit base of the taxpayer. In the case of an
45 affiliated group of corporations engaged in a unitary business,
47 the credit shall be applied against the total tax liability of
49 all the taxable corporations in the affiliated group and shall be
51 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

1 have an investment credit base determined by multiplying the
2 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
4 of the taxable year.

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

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9 **Sec. 4. Sunset.** This Act shall be repealed effective July 1,
10 1991.

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FISCAL NOTE

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14 This bill has no immediate effect on the General Fund
15 because \$5,000,000 for the investment credit is already in the
16 1988-89 budget. These funds are carried forward to be used in
17 fiscal year 1990-91, the only year the credit would be available.'

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STATEMENT OF FACT

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22 This amendment creates a new investment tax credit program.
23 The net effect of the bill, due to the definition of "investment
24 credit base," is a 1.5% credit that is only available for one
25 fiscal year. This is in compliance with the agreement made in
26 the 1988 Surplus Return Act.

27

Reported by Report C of the Committee on Taxation
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