

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)



# 117th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1995

---

Legislative Document

No. 559

S.P. 217

In Senate, February 14, 1995

**An Act to Promote Economic Development by Establishing a Research  
and Development Tax Credit.**

---

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading "May M. Ross".

MAY M. ROSS  
Secretary of the Senate

Presented by Senator FAIRCLOTH of Penobscot.

Cosponsored by Representative KERR of Old Orchard Beach and

Senators: BEGLEY of Lincoln, CAREY of Kennebec, CIANCHETTE of Somerset, ESTY of Cumberland, FERGUSON of Oxford, GOLDTHWAIT of Hancock, HARRIMAN of Cumberland, LAWRENCE of York, MICHAUD of Penobscot, PINGREE of Knox, RAND of Cumberland, RUHLIN of Penobscot, Representatives: DORE of Auburn, ETNIER of Harpswell, GERRY of Auburn, SIMONEAU of Thomaston, TOWNSEND of Portland, TUTTLE of Sanford.

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

Sec. 1. 36 MRSA §5219-K is enacted to read:

**§5219-K. Research expense tax credit**

**1. Credit allowed.** A domestic or foreign corporation is allowed a credit against its tax due under this chapter equal to the sum of 10% of the excess, if any, of the qualified research expenses for the taxable year, over the base amount; and 15% of the basic research payments determined under subsection (e)(1)(A) of section 41 of the Code. The term "base amount" means the average spent on qualified research expenses over the last 3 years by the taxpayer. The terms "qualified research expenses," "qualified organization base period amount," "basic research," and any other terms affecting the calculation of the credit, unless the context otherwise requires, have the same meanings as under section 41 of the Code, as amended and in effect on December 31, 1994, but only apply to expenditures for research conducted in this State. In determining the amount of the credit allowable under this section, the State Tax Assessor may aggregate the activities of all corporations that are members of a controlled group of corporations, as defined by subsection (f)(1)(A) of section 41 of the Code, and in addition may aggregate the activities of all entities, whether or not incorporated, that are under common control, as defined by subsection (f)(1)(B) of section 41 of the Code.

**2. Reduction not less than zero.** The credit allowed under this section for any taxable year may not reduce the tax due to less than zero.

**3. Limitation on credit allowed.** The credit allowed under this section is limited to 100% of a corporation's first \$25,000 of tax due, as determined before the allowance of any credits, plus 75% of the corporation's tax due, as determined in excess of \$25,000. The State Tax Assessor shall adopt rules similar to those authorized under section 38(c)(2)(B) of the Code for purposes of apportioning the \$25,000 among members of a controlled group.

**4. Corporations filing combined return.** In the case of corporations filing a combined return, a credit generated by an individual member corporation under the provisions of this section must first be applied against the tax due attributable to that company under this chapter. A member corporation with an excess research and development credit may apply its excess credit against the tax due of another group member, to the extent that that other member corporation can use additional credits under the limitations of subsection 3. Unused, unexpired

credits generated by a member corporation may be carried over from year to year by the individual corporation that generated the credit, subject to the limitation in subsection 5.

**5. Carryover to succeeding years.** Any corporation entitled to a credit under this section for any taxable year may carry over and apply to its tax due for any one or more of the next succeeding 15 taxable years, the portion, as reduced from year to year, of its credit that exceeds its tax due for the taxable year. Any corporation may carry over and apply to its tax due for any subsequent taxable year the portion of those credits, as reduced from year to year, that were not allowed by subsection 3.

**6. Additional rules.** The State Tax Assessor shall adopt such rules as are necessary to implement this section.

## STATEMENT OF FACT

This bill enacts a research and development tax credit.