

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

SECOND REGULAR SESSION-1996

Legislative Document

No. 1662

H.P. 1212

House of Representatives, January 9, 1996

**An Act to Correct a Technical Error Relating to the Research Expense
Tax Credit.**

(EMERGENCY)

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 24.

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative DORE of Auburn.
Cosponsored by Senator HATHAWAY of York and
Representatives: DESMOND of Mapleton, DEXTER of Kingfield, GREEN of Monmouth,
MURPHY of Berwick, POIRIER of Saco, SIMONEAU of Thomaston, Senators: CAREY of
Kennebec, FAIRCLOTH of Penobscot, HANLEY of Oxford.

2 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4
6 **Whereas,** delay in making a technical change to Maine's new
research expense tax credit would make that credit worthless for
the majority of taxpayers; and

8
10 **Whereas,** legislative action is immediately necessary in
order to ensure that the original intent behind the research
expense tax credit is fulfilled; and

12
14 **Whereas,** in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
16 necessary for the preservation of the public peace, health and
safety; now, therefore,

18
20 **Be it enacted by the People of the State of Maine as follows:**

22 **Sec. 1. 36 MRSA §5122, sub-§1, ¶G,** as amended by PL 1995, c.
368, Pt. GGG, §1, is further amended to read:

24 G. Pick-up contributions paid by the taxpayer's employer on
the taxpayer's behalf to the Maine State Retirement System
26 as defined in Title 5, section 17001, subsection 28-A; and

28 **Sec. 2. 36 MRSA §5122, sub-§1, ¶H,** as amended by PL 1995, c.
368, Pt. GGG, §2, is further amended to read:

30 H. The absolute value of the amount of any net operating
32 loss arising from tax years beginning on or after January 1,
1989, but before January 1, 1993, that arises from an S
34 Corporation with total assets for the year of at least
\$1,000,000 and that pursuant to the United States Internal
36 Revenue Code, Section 172 is being carried back for federal
income tax purposes to the taxable year by the taxpayer; and

38 **Sec. 3. 36 MRSA §5122, sub-§1, ¶I,** as amended by PL 1995, c.
40 368, Pt. GGG, §3, is repealed.

42 **Sec. 4. 36 MRSA §5200-A, sub-§1, ¶H,** as amended by PL 1995, c.
44 368, Pt. GGG, §4, is further amended to read:

46 H. The absolute value of the amount of any net operating
loss arising from tax years beginning on or after January 1,
1989 but before January 1, 1993 that, pursuant to the United
48 States Internal Revenue Code, Section 172, is being carried
back for federal income tax purposes to the taxable year by
50 the taxpayer; and

2 **Sec. 5. 36 MRSA §5200-A, sub-§1, ¶I**, as amended by PL 1995, c.
368, Pt. GGG, §5, is further amended to read:

4 I. Interest or dividends on obligations or securities of
6 any state or of a political subdivision or authority, other
 than this State and its political subdivisions and
8 authorities, ~~and,~~

10 **Sec. 6. 36 MRSA §5200-A, sub-§1, ¶J**, as amended by PL 1995, c.
368, Pt. GGG, §6, is repealed.

12 **Sec. 7. Application.** This Act applies to any tax year
14 beginning on or after January 1, 1996.

16 **Emergency clause.** In view of the emergency cited in the
18 preamble, this Act takes effect when approved.

20 **STATEMENT OF FACT**

22 This bill removes the requirement that taxpayers taking
24 advantage of Maine's new research expense tax credit add back the
26 amount of their research expenses to taxable income. Without
 this change, use of the credit would in some cases actually
 result in a net tax increase.