

# MAINE STATE LEGISLATURE

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R. O. S.

L.D. 1797

DATE: 3/20/96

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M A J O R I T Y  
T A X A T I O N

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
117TH LEGISLATURE  
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1313, L.D. 1797, Bill, "An Act to Implement the Recommendations of the Task Force on Tax Increment Financing"

Amend the bill by inserting before the enacting clause the following:

**'Mandate preamble.** This measure requires one or more local units of government to expand or modify activities so as to necessitate additional expenditures from local revenues but does not provide funding for at least 90% of those expenditures. Pursuant to the Constitution of Maine, Article IX, Section 21, two thirds of all of the members elected to each House have determined it necessary to enact this measure.'

Further amend the bill by inserting after section 2 the following:

**'Sec. 3. 30-A MRSA §5254, sub-§5** is enacted to read:

5. Considerations for approval. Prior to designating a development district within the boundaries of a municipality, or prior to establishing a development program for a designated development district, the legislative body of a municipality must consider whether the proposed district or program will make a contribution to the economic growth or well-being of the municipality or to the betterment of the health, welfare or safety of the inhabitants of the municipality. Interested parties must be given a reasonable opportunity to present testimony concerning the proposed district or program at the hearing provided for in section 5253, subsection 1 or 2. If an interested party claims at the public hearing that the proposed district or program will result in a substantial detriment to

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2 that party's existing business in the municipality and produces  
3 substantial evidence to that effect, the legislative body must  
4 consider such evidence. When considering that evidence, the  
5 legislative body also shall consider whether any adverse economic  
6 effect of the proposed district or plan on that interested  
7 party's existing business in the municipality is outweighed by  
8 the contribution made by the district or plan to the economic  
9 growth or well-being of the municipality or to the betterment of  
10 the health, welfare or safety of the inhabitants of the  
11 municipality.'

12 Further amend the bill in section 4 in that part designated  
13 "~~§6753.~~" by striking out all of subsections 10 and 11 (page 6,  
14 lines 28 to 46 in L.D.) and inserting in their place the  
15 following:

16 '10. Labor market unemployment rate. "Labor market  
17 unemployment rate" means the unemployment rate as published by  
18 the Department of Labor for the labor market or markets in which  
19 potential qualified employees are located and in which  
20 reimbursement is claimed under this chapter for the calendar year  
21 for which reimbursement is claimed.

22 11. Qualified business. "Qualified business" means any  
23 for-profit business in this State, other than a public utility as  
24 defined by Title 35-A, section 102, that adds 15 or more  
25 qualified employees above its base level of employment in this  
26 State within any 2-year period commencing on or after January 1,  
27 1996 and that meets one of the following criteria:

- 28 A. The business is not engaged in retail operations;
- 29 B. The business is engaged in retail operations but less  
30 than 50% of its total annual revenues from Maine-based  
31 operations are derived from sales taxable in this State; or
- 32 C. The business is engaged in retail operations and can  
33 demonstrate to the commissioner by a preponderance of the  
34 evidence that any increased sales will not include sales tax  
35 revenues derived from a transferring or shifting of retail  
36 sales from other businesses in this State.

37 For purposes of this subsection, "retail operations" means sales  
38 of consumer goods for household use to consumers who personally  
39 visit the business location to purchase the goods.'

40 Further amend the bill in section 4 in that part designated  
41 "~~§6754.~~" by striking out all of subsection 1 (page 7, lines 18 to  
42 33 in L.D.) and inserting in its place the following:

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1 '1. Generally. Subject to the provisions of subsection 2,  
2 a qualified business is entitled to reimbursement of state income  
3 withholding taxes withheld during the calendar year for which  
4 reimbursement is requested and attributed to qualified employees  
5 after July 1, 1996 in the following amounts.

6  
7 A. For qualified employees employed by a qualified business  
8 in state labor market areas in which the labor market  
9 unemployment rate is at or below the state unemployment rate  
10 for the calendar year for which reimbursement is requested,  
11 the reimbursement is equal to 30% of withholding taxes  
12 withheld during that year and attributed to those qualified  
13 employees.

14  
15 B. For qualified employees employed by a qualified business  
16 in state labor market areas in which the labor market  
17 unemployment rate is greater than the state unemployment  
18 rate for the calendar year for which reimbursement is  
19 requested, the reimbursement is equal to 50% of withholding  
20 taxes withheld during that year and attributed to those  
21 qualified employees.'

22  
23 Further amend the bill in section 4 in that part designated  
24 "§6754." in subsection 2 by striking out all of paragraph E (page  
25 8, lines 9 to 11 in L.D.) and inserting in its place the  
26 following:

27 'E. Employee payroll withholding amounts are limited to the  
28 standard amount required to be withheld pursuant to chapter  
29 827 and may not include any excess withholding.'

30  
31 Further amend the bill by relettering or renumbering any  
32 nonconsecutive Part letter or section number to read  
33 consecutively.

34  
35 Further amend the bill by inserting at the end before the  
36 statement of fact the following:

37  
38  
39  
40 **FISCAL NOTE**

41  
42 The Maine Employment Tax Increment Financing Program,  
43 established in this bill, will dedicate up to 50% of the state  
44 income tax withholding revenue generated by a qualifying business  
45 for reimbursement back to that employer. This state income tax  
46 revenue would normally accrue to the General Fund and the Local  
47 Government Fund for state-municipal revenue sharing. The amounts  
48 of revenue dedicated under this bill must be generated by a  
49 project, certified by the Commissioner of Economic and Community  
50 Development, as one that would only occur as a result of this new

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economic development incentive program. Furthermore, the commissioner must determine that the project will contribute to the economic well-being of the State and will not result in substantial harm to existing businesses. As a result of this certification procedure, this bill will not appreciably affect budgeted General Fund revenue and dedicated revenue to the Local Government Fund for state-municipal revenue sharing.

This bill requires municipalities to expand the public hearing process when considering applications for tax increment financing. The additional costs of this state mandate are expected to be minor but can not be precisely determined at this time. Pursuant to the Mandate Preamble, the 2/3 vote of all members elected to each House exempts the State from the constitutional requirement to fund 90% of the additional local costs.

The additional costs associated with administering the Maine Employment Tax Increment Financing Program can be absorbed by the Department of Economic and Community Development, the State Planning Office and the Department of Administrative and Financial Services utilizing existing budgeted resources.

The bill does authorize the Commissioner of Economic and Community Development to establish fees payable to the department, the State Tax Assessor and the State Planning Office for administrative purposes. No fees are currently planned to be charged for this program. If fees are charged at some point in the future, the Legislature will have to allocate the funds to authorize any expenditures of the dedicated revenue.'

STATEMENT OF FACT

This amendment makes some technical changes to the bill, adds new language that requires a municipality to consider evidence regarding potentially substantial detriment to an existing business when giving tax increment financing benefits to another business and adds a mandate preamble and a fiscal note.