

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
FIRST SPECIAL SESSION

HOUSE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 637, L.D. 1854, Bill, "An Act to Establish the Maine Economic Improvement Fund"

Amend the amendment by inserting after the title the following:

'Amend the bill by striking out the title and substituting the following:

'An Act to Encourage the Development of High-technology Industry in this State'

Further amend the amendment by striking out everything after the title and inserting in its place the following:

'Amend the bill by striking out everything after the enacting clause and inserting in its place the following:

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

Whereas, the world is witnessing revolutionary change in various fields of high technology, including electronic communications, the Internet and computer equipment, software and services, and the rapid integration of these new technologies into commerce will have important implications for the economic future of regions and states that are quick to adapt to these new technologies and create environments beneficial to their development; and

HOUSE AMENDMENT

2 **Whereas**, emerging high-technology industry is producing
economic growth built upon a foundation of high-quality,
4 high-wage jobs, with little, if any, environmental impact, and is
consistent with the quality of life of which the people of this
6 State are justly proud; and

8 **Whereas**, some regions and states have already attracted a
core of high-technology businesses to serve as a magnet for
10 growth and to expand the economic opportunities available to
their citizens; and

12 **Whereas**, the Maine Economic Growth Council has determined
that the State's national ranking in technology resources should
14 improve from 44th to 35th by 2005; and

16 **Whereas**, the scale of the challenge is of such magnitude
that new economic development paradigms are necessary and
18 substantial coinvestments by the private and public sectors in
science and technology enterprise in the State are needed; and
20

22 **Whereas**, in light of the rapid advances in the industry, the
provisions of this legislation encouraging the development of
24 high-technology industry in this State must take effect
immediately; and

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

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

34 **PART A**

36 **Sec. A-1.** 36 MRSA §1752, sub-§17-A, ¶F, as amended by PL 1993,
c. 701, §3, is repealed.

38 **Sec. A-2.** 36 MRSA §§5219-L and 5219-M are enacted to read:
40

42 **§5219-L. Super credit for substantially increased research
and development**

44 **1. Super credit allowed for substantial expansions of
research and development. A taxpayer qualifying for a research
46 expense tax credit under section 5219-K is allowed an additional
credit against tax due equal to the excess, if any, of the
48 qualified research expenses for the taxable year over the super
credit base amount. For purposes of this section, "super credit
50 base amount" means the average amount spent on qualified research**

expenses by the taxpayer in the 3 years immediately preceding the effective date of this section, increased by 50%. The super credit allowed under this subsection applies only to the expenditures for research conducted in this State.

2. Limitation on super 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 corporations's tax due, as determined in excess of \$25,000.

3. Reduction not less than base amount tax liability. The credit allowed under this section for any taxable year may not reduce the tax due to less than the base amount, which is defined as the average tax due by the taxpayer during the 3 years immediately preceding the effective date of this section.

4. Carry over to succeeding years. A taxpayer entitled to a credit under this section for any taxable year may carry over and apply to the tax due for any one or more of the next succeeding 15 taxable years the portion, as reduced from year to year, of the credit that exceeds the tax due for the taxable year. A taxpayer may carry over and apply to the tax due for any subsequent taxable year the portion of those credits, as reduced from year to year, not allowed by subsection 3.

5. Limitation. The credit provided by this section may not be used to reduce the taxpayer's tax liability under this Part to an amount less than the amount paid by the taxpayer in the preceding taxable year.

§5219-M. High-technology investment tax credit

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

A. "High-technology activities" means:

(1) The manufacture, creation or production of computer equipment, electronic components and accessories, communications equipment and computer software;

(2) The provision of communications services, media services, data access services, Internet access services, Internet support services or other related communications services; and

2 (3) The provision by the taxpayer of "telephone or
4 telegraph service" using "telecommunications and
6 telegraph equipment," as those terms are defined in
8 section 1752, subsections 18-A and 18-B, regardless of
 whether the service provided would be taxable under
 section 1752, and as if the service provided originated
 and terminated within this State.

10 B. "Investment credit base of equipment" means the total
12 original basis of the eligible equipment for federal income
14 tax purposes of the taxpayer for equipment that was placed
 into service for the first time in the State by the taxpayer
 or other person during the tax year for which the credit is
 claimed.

16 2. Purchaser of eligible equipment; credit allowed. A
18 taxpayer that purchases and uses eligible equipment or purchases
20 and leases eligible equipment to a person for use by that person
22 in the provision of high-technology activities may claim a credit
 in the amount of the investment credit base of equipment, net of
 any lease payments received for the eligible equipment in the
 taxable year.

24 3. Lessor of eligible equipment; credit allowed. A
26 taxpayer that leases and uses eligible equipment or leases and
28 subleases eligible equipment to a person for use by that person
30 in the provision of high-technology activities may claim a credit
 in the amount of the lease payments made on the eligible
 equipment, net of sublease payments received in the taxable year.

32 4. Eligible equipment. Equipment eligible for the credit
 allowed under this section includes:

34 A. All computer equipment, electronics components and
36 accessories, communications equipment and computer software;
 and

38 B. All "telecommunications or telegraphic equipment"
40 necessary to the provision of "telephone or telegraph
42 service" as those terms are defined in section 1752,
 subsection 18-A and 18-B, regardless of whether the service
 provided would be taxable under section 1752 and as if the
 service provided originated and terminated within this State.

44 Eligible equipment must be placed into service in the State.

46 5. Limitation. The credit provided by this section may not
48 be used to reduce the taxpayer's tax liability under this Part to
50 an amount less than the amount paid by the taxpayer in the
 preceding taxable year.

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2 **Sec. A-3. Appropriation.** The following funds are appropriated
3 from the General Fund to carry out the purposes of this Act.

		1997-98	1998-99
4			
6			
8	ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF		
10	Bureau of Taxation		
12	Positions - Legislative Count	(1,000)	(1,000)
13	Personal Services	\$15,903	\$32,904
14	All Other	26,600	6,500
16	Provides funds for one Tax Examiner position, effective January 1, 1998, related administrative expenses and computer programming expenses to administer the new income tax credits.		
18			
20			
22			
24	DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES		
26	TOTAL	\$42,503	\$39,404

28 **PART B**

30 **Sec. B-1. Commission established.** The Commission to Study the
32 Restructuring of the State's Fiscal Policies to Promote the
33 Development of High-technology Industry in Maine, referred to in
34 this Part as the "commission," is established.

36 **Sec. B-2. Issues.** The commission shall study the fiscal
37 issues associated with the encouragement and development of
38 high-technology industry in the State, including, specifically,
39 issues affecting providers of computer equipment, computer
40 software, electronic components and accessories, communications
41 equipment and communications services. The scope of the
42 commission's study includes, but is not limited to:

44 1. An examination and report on state fiscal policies,
45 laws, regulations and financial incentives for the growth and
46 development of high-technology industry in the State, relative to
47 those of other states;

48

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2. An examination and study of the key fiscal issues affecting the State's high-technology industry; and

3. An examination and a report outlining specific legislative recommendations for restructuring the State's fiscal policies, laws and rules to create comparative advantages designed to encourage the beneficial expansion of high-technology industry in the State.

Sec. B-3. Membership. The commission consists of 28 members, appointed as follows:

1. Two members of the Senate, appointed jointly by the President of the Senate and the Speaker of the House, one of whom must be a member of the majority party and one of whom must be a member of the minority party;

2. Two members of the House of Representatives, appointed jointly by the President of the Senate and the Speaker of the House, one of whom must be a member of the majority party and one of whom must be a member of the minority party;

3. Twenty members, 7 of whom must be appointed by the President of the Senate, 7 of whom must be appointed by the Speaker of the House and 6 of whom must be appointed by the Governor. Two of the appointments by the President and 2 of the appointments by the Speaker must be made upon the recommendation of the minority floor leader of the respective chamber. These members must include:

A. Six representatives with practical experience and knowledge of high-technology industry, including: one person whose background includes significant experience in computer equipment; one person whose background includes significant experience with electronic components and accessories; one person whose background includes significant experience with communications equipment; one person whose background includes significant experience with communications services; and 2 people whose backgrounds include significant experience with computer software;

B. Four representatives from the academic community, including: one economist who has practical experience and knowledge of high-technology industry and its impact on economic development; one representative with knowledge of electronic communications and computer software; one representative with knowledge of electrical engineering; and one representative of the Maine Technical College System;

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2 C. Five representatives of industries likely to be affected
3 by the development of high-technology industry, including:
4 one person who represents the health care industry; one
5 person who represents major manufacturers; one person who
6 represents small businesses; one person who represents the
7 banking and financial services industry; and one person who
8 represents the tourism industry; and

9 D. Five representatives from the public, including: one
10 person who represents a nonprofit consumer advocacy
11 organization; one person who represents a nonprofit public
12 interest environmental organization; one person who
13 represents a nonprofit organization with an interest in
14 encouraging international trade by Maine concerns; and 2
15 persons who represent the general public; and

16 4. The Director of the State Planning Office, the
17 Commissioner of Administrative and Financial Services, the
18 Commissioner of Economic and Community Development and the
19 President of the Maine Science and Technology Foundation, who are
20 ex officio members.

21 **Sec. B-4. Appointments.** All appointments must be made no
22 later than 30 days following the effective date of this Part.
23 The appointing authorities shall notify the Executive Director of
24 the Legislative Council upon making their appointments. When the
25 appointment of members is complete, the Chair of the Legislative
26 Council shall call and convene the first meeting of the
27 commission no later than 2 months from the effective date of this
28 Part.
29

30 **Sec. B-5. Staffing assistance.** The commission shall request
31 staffing assistance from the Legislative Council.
32

33 **Sec. B-6. Reimbursement.** The commission members who are
34 Legislators are entitled to receive legislative per diem, as
35 defined in the Maine Revised Statutes, Title 3, section 2, for
36 each day's attendance at meetings of the commission. All members
37 of the commission are entitled to reimbursement for travel and
38 other necessary expenses upon application to the Legislative
39 Council. The Executive Director of the Legislative Council shall
40 administer the commission's budget.
41

42 **Sec. B-7. Chair.** The commission shall, at its first meeting,
43 select a member to serve as chair. At the first meeting or a
44 subsequent meeting, the commission may select a vice-chair from
45 among its members and establish programmatic and structural
46 committees.
47
48

2 **Sec. B-8. Meetings.** The commission may meet as often as
necessary.

4 **Sec. B-9. Staffing.** If funding permits, the commission may
employ staff as needed and may contract for administrative,
6 professional, legislative drafting and clerical services.

8 **Sec. B-10. Funding.** The commission may seek, accept and
expend outside sources of funding to carry out the commission's
10 activities. The Legislative Council shall administer any outside
funds acquired for the purposes of this Part.

12 **Sec. B-11. Report.** The commission shall present its findings
and any recommended legislation to the Second Regular Session of
14 the 118th Legislature by December 1, 1997.

16 **Sec. B-12. Appropriation.** The following funds are
18 appropriated from the General Fund to carry out the purposes of
this Act.

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1997-98

LEGISLATURE

**Commission to Study the Restructuring
of the State's Fiscal Policies to Promote
the Development of High-technology
Industry in Maine**

Personal Services	\$1,320
All Other	7,700

Provides funds for the per diem of
legislative members, expenses of members and
miscellaneous costs, including printing, of
the Commission to Study the Restructuring of
the State's Fiscal Policies to Promote the
Development of High-technology Industry in
Maine.

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TOTAL \$9,020

Section B-13. Allocation. The following funds are allocated
from Other Special Revenue funds to carry out the purposes of
this Act.

1997-98

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LEGISLATURE

2

Commission to Study the Restructuring of the State's Fiscal Policies to Promote the Development of High-technology Industry in Maine

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All Other \$25,000

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Provides funds to the commission for contracted staff.

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

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Further amend the bill by inserting at the end before the summary the following:

20

FISCAL NOTE

22

1997-98 1998-99

24

APPROPRIATIONS/ALLOCATIONS

26

General Fund \$51,523 \$39,404
Other Funds 25,000

28

30

REVENUES

32

General Fund (\$434,232) (\$2,195,280)
Other Funds (23,336) (117,977)

34

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The additional income tax exemption for companies that invest in high-technology equipment and expanded research activities will decrease General Fund revenue by \$1,476,170 in fiscal year 1998-99. The corresponding decrease in dedicated revenue to the Local Government Fund for state-municipal revenue sharing will be \$79,331.

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The additional sales tax exemption for custom computer programming will decrease General Fund revenue by \$434,232 in fiscal year 1997-98 and \$719,110 in fiscal year 1998-99. The corresponding decreases in dedicated revenue to the Local Government Fund for state-municipal revenue sharing will be \$23,336 and \$38,646, respectively.

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HOUSE AMENDMENT

R. G. A.

2 The Bureau of Taxation will require additional General Fund
4 appropriations of \$42,503 and \$39,404 in fiscal years 1997-98 and
6 1998-99, respectively, for one Tax Examiner position, effective
January 1, 1998, related administrative expenses and computer
programming expenses to administer the new income tax credits.

8 The Bureau of Taxation will incur some minor additional
10 costs to notify affected retailers. These costs can be absorbed
within the bureau's existing budgeted resources.

12 The Legislature will require a General Fund appropriation of
14 \$9,020 in fiscal year 1997-98 for the per diem of legislative
16 members, expenses of members and miscellaneous costs, including
18 printing, of the Commission to Study the Restructuring of the
State's Fiscal Policies to Promote the Development of
High-technology Industry in Maine. The additional costs
associated with providing staffing assistance to the commission
can be absorbed by the Legislature utilizing existing budgeted
resources.

20 This bill also includes an Other Special Revenue allocation
22 of \$25,000 in fiscal year 1997-98 as a base allocation to
24 authorize the commission to contract for staff in the event that
outside sources of funding are received.

26 The additional costs associated with serving as an ex
28 officio member of the commission can be absorbed by the member
state departments and agencies utilizing existing budgeted
resources.'

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SUMMARY

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The original bill seeks to encourage the development of
36 economic growth in the State through the development and support
of new technologies and related businesses by providing funding
for applied research and development in 5 target areas.

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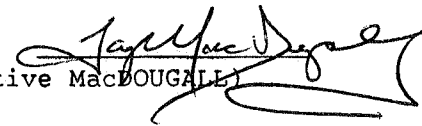
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This amendment, which replaces the bill, as amended by the
committee amendment, is designed to encourage the development of

R. 9. 8.

HOUSE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 637, L.D.
1854

2 high-technology industry through the repeal of the sales tax on
custom computer software, the expansion of the existing tax
4 credit for research and development and through the creation of a
new section of the State's investment tax credit that apply
6 specifically to high-technology industry.

8
10 SPONSORED BY: 
(Representative MacDOUGALL)

12 TOWN: North Berwick

14

HOUSE AMENDMENT