

MAINE STATE LEGISLATURE

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M
R. of S.

L.D. 1863

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DATE: 5-30-97

(Filing No. H-751)

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

HOUSE AMENDMENT "A" to S.P. 641, L.D. 1863, Bill, "An Act
to Encourage Major Investments in Shipbuilding Facilities and to
Encourage the Preservation of Jobs"

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

'An Act to Encourage Major Investments in Facilities and to
Encourage the Preservation of Jobs'

Further amend the bill in section 1 by striking out all of
the 3rd line (page 1, line 7 in L.D.) and inserting in its place
the following:

'FACILITY INVESTMENT CREDIT'

Further amend the bill in section 1 in that part designated
"~~§6851.~~" by striking out all of subsection 4 and inserting in its
place the following:

'4. Exception year. "Exception year" with respect to a
shipbuilding applicant means the calendar year immediately
following the first calendar year in which the certified
applicant has employment of less than 3,500 if the total state
income taxes deducted and withheld by the certified applicant
from qualified employees for the year in which the employment was
less than 3,500 totals at least \$6,000,000. With respect to any
other applicant, "exception year" means the calendar year
immediately following the first calendar year in which the
certified applicant has employment of less than 50, as long as
the total state income taxes deducted and withheld by the
certified applicant from qualified employees for the year in
which the employment was less than 50 totals at least \$85,700.'

Further amend the bill in section 1 in that part designated
"~~§6851.~~" by striking out all of subsection 7 and inserting in its
place the following:

2 '7. Qualified applicant. "Qualified applicant" means an
 applicant for benefits under this chapter that satisfies either
 4 of the 2 following tests:

6 A. The applicant:

8 (1) Owns or operates or proposes to construct a
shipbuilding facility within the State;

10 (2) The applicant proposes to make a qualified
investment in shipbuilding;

12 (3) The applicant employs at least 5,000 qualified
 14 employees at the time the application is filed; and

16 (4) The applicant does not otherwise qualify for the
 18 Maine Employment Tax Increment Financing Program set
forth in section 6752 at the time the application is
 20 filed; or

22 B. The applicant:

24 (1) Owns or operates or proposes to construct a
business facility within the State;

26 (2) The applicant proposes to make a qualified
 28 investment in that business;

30 (3) The applicant employees at least 50 qualified
employees at the time the application is filed; and

32 (4) The applicant does not otherwise qualify for the
 34 Maine Employment Tax Increment Financing Program set
forth in section 6752 at the time the application is
 36 filed.'

38 Further amend the bill in section 1 in that part designated
 "§6851." by striking out all of subsection 9 and inserting in its
 40 place the following:

42 '9. Qualified investment. With respect to a shipbuilding
applicant, "qualified investment" means expenditures incurred
 44 after October 1, 1996 totaling at least \$150,000,000 related to
the construction, improvement, modernization or expansion of a
 46 shipbuilding facility within the State that results in or enables
the utilization of a facility of approximately 10 acres that will
 48 enable the applicant to erect ships on a flat surface and launch
them from an abutting dry dock and all expenditures that may be
 50 capitalized for federal income tax purposes, including any of the
expenditures made or costs incurred under this subsection prior

2 to the effective date of this chapter or certification of an
 4 applicant. With respect to all other applicants, "qualified
 6 investment" means expenditures incurred after October 1, 1996
 8 totaling at least \$100,000 related to the construction,
 10 improvement, modernization or expansion of a business facility
 12 within the State that results in increased employment for that
 14 applicant. Except for those employees engaged in the design,
 16 engineering and construction of the facility, "qualified
 18 investment" does not include the salaries or other compensation
 20 paid to the employees of the qualified applicant or of any
 22 affiliate of the qualified applicant.'

24 Further amend the bill in section 1 in that part designated
 26 "§6852." in subsection 4 in the 3rd line (page 3, line 35 in
 28 L.D.) by striking out the following: "shipbuilding"

30 Further amend the bill in section 1 in that part designated
 32 "§6852." in subsection 4 in paragraph A in the first line (page
 34 3, line 44 in L.D.) by striking out the following: "shipbuilding"

36 Further amend the bill in section 1 in that part designated
 38 "§6852." in subsection 4 in paragraph B in the first line (page
 40 3, line 49 in L.D.) and in the 6th line (page 4, line 4 in L.D.)
 42 by striking out the following: "shipbuilding"

44 Further amend the bill in section 1 in that part designated
 46 "§6852." in subsection 4 in the blocked paragraph in the 5th line
 48 (page 4, line 17 in L.D.) by striking out the following: "and
 50 the" and inserting in its place the following: 'and, if
applicable, the'

52 Further amend the bill in section 1 in that part designated
 54 "§6852." by striking out all of subsection 5 and inserting in its
 56 place the following:

58 '5. Revocation of certificate. A certificate of approval
 60 must be revoked by the commissioner if the certified applicant
 62 has not made the full amount of qualified investment expenditures
 64 required within 5 years after issuance of the certificate of
 66 approval. A certified applicant whose certificate of approval is
 68 revoked shall pay to the State the amount of any credits claimed
 70 by the certified applicant under this chapter prior to revocation
of the certificate.'

72 Further amend the bill in section 1 in that part designated
 74 "§6853." by striking out all of subsection 1 and inserting in its
 76 place the following:

78 '1. Generally. Subject to the provisions of subsection 2
 80 and notwithstanding any contrary provisions of chapter 827, a
certified shipbuilding applicant is allowed a credit equal to

HOUSE AMENDMENT "A" to S.P. 641, L.D. 1863

\$3,000,000 for each calendar year, beginning with the 1999 calendar year, against the first \$3,000,000 that otherwise would be required to be remitted to the State Tax Assessor by the certified shipbuilding applicant pursuant to chapter 827 for state income taxes deducted and withheld from wages of qualified employees by the certified applicant. With respect to all other certified applicants, subject to the provisions of subsection 2 and notwithstanding any contrary provision of chapter 827, a credit equal to \$2,000 for each calendar year is allowed, beginning with the 1999 calendar year, against the first \$2,000 that otherwise would be required to be remitted to the State Tax Assessor by the certified applicant pursuant to chapter 827 for state income taxes deducted and withheld from wages of qualified employees by the certified applicant. The credit taken with respect to withholding taxes not remitted must be reflected on the withholding returns submitted by the certified applicant pursuant to chapter 827 and it constitutes a credit against the applicant's liability for and obligation to remit the withholding tax against which the credit is taken.'

Further amend the bill in section 1 in that part designated "~~S6853.~~" in subsection 2 in paragraph B in 3rd line (page 5, line 21 in L.D.) by inserting after the following: "3,500," the following: 'or fewer than 35 employees if the applicant is not a shipbuilding applicant.'

Further amend the bill in section 1 in that part designated "~~S6854.~~" by striking out all of subsection 1 and inserting in its place the following:

'1. Annual reporting by certified applicant. On or before March 1st of each year a certified applicant shall file a report with the State Tax Assessor for the immediately preceding calendar year, referred to in this section as the "report year," containing information relating to the employment of the certified applicant for the calendar year immediately preceding the report year and, if applicable, the number of qualified ships launched by the certified applicant from January 1, 1998 to December 31st of the report year.

The State Tax Assessor may prescribe forms for the annual reports described in this section.'

FISCAL NOTE

1998-99

REVENUES

General Fund	(\$2,657,200)
Other Funds	(142,800)

2 This amendment adds an additional credit against employee
withholding taxes for certain employers that will decrease
4 General Fund revenue by an additional \$2,657,200 annually,
beginning in fiscal year 1998-99, subject to certain eligibility
6 requirements. The corresponding decreases in dedicated revenue
to the Local Government Fund for state-municipal revenue sharing
8 will be \$142,800 annually. This credit will also decrease
General Fund revenue from interest income as soon as fiscal year
10 1998-99. The amounts can not be determined at this time.

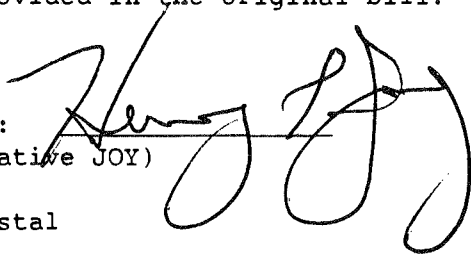
12 To the extent that a certified applicant has a tax liability
to the State in a year in which this credit is received, some
14 portion of the revenue loss will be returned to the State in the
form of income tax. This amount can not be determined at this
16 time. The corresponding gains of revenue to the Local Government
Fund also can not be determined.

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SUMMARY

22 This amendment expands the availability of the tax credit in
the original bill so that a broader range of businesses will
24 qualify. The original bill limits the tax credit to an applicant
investing \$150,000,000 in a 10-acre shipbuilding facility in the
26 State and authorizes the Governor to grant all or any part of the
State's interest in up to 15 acres of submerged and intertidal
28 lands on the western side of the Kennebec River south of the
Carlton Bridge. This amendment grants a tax credit for
30 businesses who employ at least 50 people and invest at least
\$100,000 in their manufacturing facility to increase jobs.
32 Relative to the required investment, the tax credit provided
under the amendment is proportionally the same as that provided
34 to Bath Iron Works in the original bill. The threshold
employment level at which the tax credit is suspended is
36 proportionally the same relative to the starting employment level
as the threshold for Bath Iron Works in the original bill. The
38 amendment does not provide for any grant of state lands other
than that provided in the original bill.

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