

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## FIRST SPECIAL SESSION-1997

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Legislative Document

No. 1897

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H.P. 1350

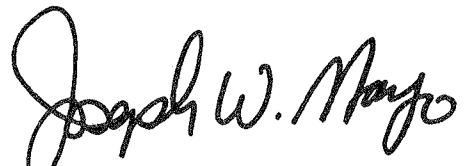
House of Representatives, May 30, 1997

**An Act Concerning Tax Relief.**

(EMERGENCY)

---

Reported by Representative TRIPP for the Joint Standing Committee on Taxation pursuant to Joint Order, H.P. 1324.

  
JOSEPH W. MAYO, Clerk



2 A claimant representing a nonelderly household shall ~~qualify~~  
3 qualifies for the following benefits subject to the following  
4 income limitations.

6 1. **Benefit calculation.** For claimants representing a  
7 nonelderly household, the benefit is calculated as follows:

8 A-1. Fifty percent of that portion of the benefit base that  
9 exceeds ~~5.0%~~ 4% but does not exceed ~~10.0%~~ 8% of income plus  
10 100% of that portion of the benefit base that exceeds ~~10%~~ 8%  
11 of income to a maximum payment of \$700 \$1,000.

12 2. **Income eligibility.** Single-member households with  
13 household incomes in excess of \$25,000 \$25,700 and households  
14 with 2 or more members with a household income in excess of  
15 \$25,000 \$40,000 are not eligible for a benefit.

18 3. **Subsidized housing.** A claim may not be granted under  
19 this section to claimants:

20 A. Whose housing costs for the year for which relief is  
21 requested were subsidized by government programs that limit  
22 housing costs to a percentage of household income, ~~and.~~

23 ~~B. --- Who are receiving Aid to Families with Dependent~~  
24 ~~Children and are eligible for the housing special needs~~  
25 ~~payment pursuant to Title 22, section 3760-D.~~

28 4. **Minimum benefit.** No A claim of less than \$10 may not be  
29 granted.

32 **Sec. A-4. 36 MRSA §6210**, as enacted by PL 1987, c. 516, §§3  
33 and 6, is amended by adding at the end a new paragraph to read:

34 The State Tax Assessor shall include a checkoff to request  
35 an application for the Maine Residents Property Tax Program on  
36 the individual income tax form. The assessor shall also provide  
37 for the option of filing an application for the Maine Residents  
38 Property Tax Program using the telefile system established by the  
39 assessor.

42 **Sec. A-5. Application date.** That section of this Part that  
43 amends the Maine Revised Statutes, Title 36, section 6207 applies  
44 to applications for relief filed on or after October 1, 1997.

46 **Sec. A-6. Allocation.** The following funds are allocated from  
47 the Tax Relief Fund for Maine Residents to carry out the purposes  
48 of this Part.

50

1997-98

1998-99

2 ADMINISTRATIVE AND FINANCIAL  
4 SERVICES, DEPARTMENT OF

6 Maine Residents Property Tax  
Program

8 All Other \$5,153,253 \$5,835,620

10 Provides funds for additional  
12 claims under the Maine  
Residents Property Tax  
14 Program.

16 Bureau of Taxation

18 All Other \$108,105 \$8,527

20 Provides funds for computer  
22 programming, printing and  
mailing expenses resulting  
24 from changes to the Maine  
Residents Property Tax  
Program.

26 DEPARTMENT OF ADMINISTRATIVE  
AND FINANCIAL SERVICES

28 TOTAL \$5,261,358 \$5,844,147

30

PART B

32

Sec. B-1. 36 MRSA §1752, sub-§1-E is enacted to read:

34

36 1-E. Custom computer software program. "Custom computer  
software program" means any computer software that is written or  
prepared exclusively for a particular customer. "Custom computer  
software program" does not include a "canned" or prewritten  
program that is held or exists for a general or repeated sale,  
40 lease or license, even if the program was initially developed on  
a custom basis or for in-house use. An existing prewritten  
42 program that has been modified to meet a particular customer's  
needs is a "custom computer software program" to the extent of  
44 the modification, and to the extent that the amount charged for  
the modification is separately stated.

46

48 Sec. B-2. 36 MRSA §1752, sub-§17, as amended by PL 1989, c.  
871, §7, is further amended to read:

17. **Tangible personal property.** "Tangible personal property" means personal property which that may be seen, weighed, measured, felt, touched or in any other manner perceived by the senses, but does not include rights and credits, insurance policies, bills of exchange, stocks and bonds and similar evidences of indebtedness or ownership. "Tangible personal property" includes electricity. "Tangible personal property" includes any computer software that is not a custom computer software program.

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

**Sec. B-4. 36 MRSA §5122, sub-§1, ¶G,** as amended by PL 1995, c. 641, §1 and affected by §7, is further amended to read:

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

**Sec. B-5. 36 MRSA §5122, sub-§1, ¶H,** as amended by PL 1995, c. 641, §2 and affected by §7, is further amended to read:

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 arises from an S Corporation with total assets for the year of at least \$1,000,000 and that, pursuant to the United States Internal Revenue Code, Section 172, is being carried back for federal income tax purposes to the taxable year by the taxpayer; and

**Sec. B-6. 36 MRSA §5122, sub-§1, ¶J** is enacted to read:

J. The amount claimed as a business expense that is included in the investment credit for the high-technology investment tax credit.

**Sec. B-7. 36 MRSA §5200-A, sub-§1, ¶H,** as amended by PL 1995, c. 641, §4 and affected by §7, is further amended to read:

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 States Internal Revenue Code, Section 172, is being carried back for federal income tax purposes to the taxable year by the taxpayer; and

**Sec. B-8. 36 MRSA §5200-A, sub-§1, ¶I,** as amended by PL 1995, c. 641, §5 and affected by §7, is further amended to read:

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

8 **Sec. B-9. 36 MRSA §5200-A, sub-§1, ¶K** is enacted to read:

10 K. The amount claimed as a business expense that is  
12 included in the investment credit for the high-technology  
14 investment tax credit.

16 **Sec. B-10. 36 MRSA §§5219-L and 5219-M** are enacted to read:

18 **§5219-L. Super credit for substantially increased research and**  
20 **development**

22 1. Super credit allowed for substantial expansions of  
24 research and development. A taxpayer qualifying for a research  
26 expense tax credit under section 5219-K is allowed an additional  
28 credit against the tax due equal to the excess, if any, of the  
30 qualified research expenses for the taxable year over the super  
32 credit base amount. For purposes of this section, "super credit  
base amount" means the average amount spent on qualified research  
expenses by the taxpayer in the 3 taxable 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. The term  
"qualified research expenses" has the same meaning as under  
Section 41 of the Code, as amended and in effect on December 31,  
1994.

34 2. Amount of super credit allowed. The credit allowed  
36 under this section is limited to 50% of the taxpayer's tax due  
after the allowance of any other credits taken pursuant to this  
chapter.

38 3. Carry over to succeeding years. A taxpayer entitled to  
40 a credit under this section for any taxable year may carry over  
42 and apply to the tax due for any one or more of the next  
44 succeeding 5 taxable years the portion, as reduced from year to  
year, of any unused credit, but in no event may the credit  
applied in any single year exceed 50% of the taxpayer's tax due  
after the allowance of any other credits taken pursuant to this  
chapter.

46 4. Limitation. The credit provided by this section may not  
48 be used to reduce the taxpayer's tax liability under this Part to  
less than the amount of the taxpayer's tax due in the preceding

2 taxable year after the allowance of any credits taken pursuant to  
3 this chapter.

4 5. Corporations filing combined returns. In the case of  
5 corporations filing a combined return, a credit generated by an  
6 individual member corporation under the provisions of this  
7 section must first be applied against the tax due attributable to  
8 that company under this Part. A member corporation with an  
9 excess research and development credit may apply its excess  
10 credit against the tax due of another group member to the extent  
11 that that other member corporation can use additional credits  
12 under the limitations of subsection 4. Unused, unexpired credits  
13 generated by a member corporation may be carried over from year  
14 to year by the individual corporation that generated the credit,  
15 subject to the limitation in subsection 3.

16 §5219-M. High-technology investment tax credit

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

20 A. "High-technology activity" means:

21 (1) The design, creation and production of computer  
22 software, computer equipment, supporting communications  
23 components and other accessories that are directly  
24 associated with computer software and computer  
25 equipment;

26 (2) The provision of Internet or electronic  
27 communications access services or support access to  
28 electronic media and data and associated communications  
29 support, or advanced telecommunications capability as  
30 that term is defined in the federal Telecommunications  
31 Act of 1996, Section 706 (c) (1); and

32 (3) The provision of "telephone or telegraph service"  
33 using "telecommunications and telegraph equipment" as  
34 those terms are defined in section 1752, subsections  
35 18-A and 18-B, regardless of whether the service  
36 provided would be taxable under section 1752, and as if  
37 the service provided originated and terminated within  
38 this State.

39 B. "Investment credit base of equipment" means the total  
40 original basis of the eligible equipment for federal income  
41 tax purposes of the taxpayer for equipment that was placed  
42 into service for the first time in the State by the taxpayer  
43   
44   
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48





2 that company under this Part. A member corporation with an  
3 excess high-technology investment tax credit may apply its excess  
4 credit against the tax due of another group member to the extent  
5 that that other member corporation can use additional credits  
6 under th limitations of subsection 4. Unused, unexpired credits  
7 generated by a member corporation may be carried over from year  
8 to year by the individual corporation that generated the credit,  
9 subject to the limitation in subsection 5.

10 **Sec. B-11. 36 MRSA §6651, sub-§1**, as amended by PL 1997, c.  
11 24, Pt. C, §13 and affected by §17, is further amended to read:

12 **1. Eligible property.** "Eligible property" means qualified  
13 business property first placed in service in the State, or  
14 constituting construction in progress commenced in the State,  
15 after April 1, 1995. "Eligible property" includes, without  
16 limitation, repair parts, replacement parts, additions,  
17 accessions and accessories to other qualified business property  
18 placed in service on or before April 1, 1995 if the part,  
19 addition, accession or accessory is first placed in service, or  
20 constitutes construction in progress, in the State after April 1,  
21 1995. "Eligible property" also includes inventory parts.  
22 "Eligible property" is subject to reimbursement pursuant to this  
23 chapter for up to 12 years, but the 12 years must be reduced by  
24 one year for each year during which a taxpayer included the same  
25 property in its investment credit base under section 5219-E or  
26 5219-M and claimed the credit provided by ~~that~~ in either section  
27 on its income tax return.

30 **Sec. B-12. Allocation.** The following funds are allocated from  
31 the Tax Relief Fund for Maine Residents to carry out the purposes  
32 of this Part.

34 **1997-98**                      **1998-99**

36 **ADMINISTRATIVE AND FINANCIAL**  
37 **SERVICES, DEPARTMENT OF**

38

**Bureau of Taxation**

40

41	Positions - Legislative Count	(1,000)	(1,000)
42	Personal Services	\$15,903	\$32,904
43	All Other	26,600	6,500

44

45 Provides funds for one  
46 Revenue Agent position,  
47 effective January 1, 1998,  
48 computer programming and  
49 related administrative  
50 expenses to administer and  
enforce the

2 high-technology investment  
tax credit.

4 **DEPARTMENT OF ADMINISTRATIVE  
AND FINANCIAL SERVICES**

6 **TOTAL** \$42,503 \$39,404

8 **Sec. B-13. Transfer of funds.** The State Controller shall  
transfer from the Tax Relief Fund for Maine Residents to the  
10 General Fund \$2,629,512 in fiscal year 1997-98 to offset the  
revenue loss associated with the credits and exemptions  
12 established in this Part. An amount equal to \$2,195,280 may not  
lapse but must be carried forward to fiscal year 1998-99 to be  
14 used for the same purpose.

16 **PART C**

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

22 **Sec. C-2. Issues.** The commission shall study the fiscal,  
24 cultural and educational issues associated with the encouragement  
and development of high-technology industry in the State,  
26 including specifically issues affecting providers of computer  
equipment, computer software, electronic components and  
28 accessories, communications equipment and communications  
services. The scope of the commission's study includes, but is  
30 not limited to:

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

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

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

46 **Sec. C-3. Membership.** The commission consists of 20 members  
48 appointed as follows:

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

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

10 3. Thirteen members, 5 of whom must be appointed by the  
12 President of the Senate, 5 of whom must be appointed by the  
Speaker of the House and 3 of whom must be appointed by the  
14 Governor. Two of the appointments by the President and 2 of the  
16 appointments by the Speaker of the House must be made upon the  
recommendation of the minority floor leader of the respective  
18 chamber. These members must include:

20 A. Three representatives with practical experience and  
knowledge of high-technology development, including one  
22 person whose background includes significant experience in  
computer equipment, electronic components and accessories;  
24 one person whose background includes significant experience  
with communication equipment; and one person whose  
26 background includes significant experience with computer  
software;

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

36 C. Six representatives of industries likely to be affected  
by high-technology development, including one person who  
38 represents the health care industry, one person who  
represents major manufacturers, one person who represents  
40 small businesses, one person who represents the banking and  
financial services industry, one person who represents the  
42 tourism industry and one person who represents a nonprofit  
organization with an interest in encouraging international  
44 trade by Maine concerns; and

46 4. The Director of the State Planning Office within the  
Executive Department, the Commissioner of Economic and Community  
48 Development and the President of the Maine Science and Technology  
Foundation, who are ex officio members.

50

2           **Sec. C-4. Appointments.** All appointments must be made no  
3 later than 30 days following the effective date of this Part.  
4 The appointing authorities shall notify the Executive Director of  
5 the Legislative Council upon making their appointments. When the  
6 appointment of members is complete, the Chair of the Legislative  
7 Council shall call and convene the first meeting of the  
8 commission no later than 2 months from the effective date of this  
9 Part.

10           **Sec. C-5. Staff assistance.** The commission may request staffing  
11 assistance from the Legislative Council.

12           **Sec. C-6. Reimbursement.** The commission members who are  
13 Legislators are entitled to receive the legislative per diem, as  
14 defined in the Maine Revised Statutes, Title 3, section 2, for  
15 each day's attendance at the meetings of the commission and  
16 reimbursement for travel and other necessary expenses upon  
17 application to the Legislative Council. The Executive Director  
18 of the Legislative Council shall administer the commission's  
19 budget.

20           **Sec. C-7. Chair.** The commission shall, at its first meeting  
21 select a member to serve as chair. At the first meeting or a  
22 subsequent meeting, the commission may select a vice-chair from  
23 among its members and establish programmatic and structural  
24 committees.

25           **Sec. C-8. Meetings.** The commission may meet up to 6 times.

26           **Sec. C-9. Staffing.** If funding permits, the commission may  
27 employ staff as needed and may contract for administrative,  
28 professional, legislative drafting and clerical services.

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

33           **Sec. C-11. Report.** The commission shall present its findings  
34 and any recommended legislation to the Second Regular Session of  
35 the 118th Legislature by January 1, 1998.

36           **Sec. C-12. Allocation.** The following funds are allocated from  
37 the Tax Relief Fund for Maine Residents to carry out the purposes  
38 of this Part.

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1997-98

LEGISLATURE

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

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

8  
9 Provides funds for the per diem and expenses  
10 of legislative members and miscellaneous  
11 costs, including printing, of the Commission  
12 to Study the Restructuring of the State's  
13 Fiscal Policies to Promote the Development  
14 of High-technology Industry in Maine.

15  
16 **LEGISLATURE**  
17 **TOTAL** \$9,020

18  
19 **Sec. C-13. Allocation.** The following funds are allocated from  
20 Other Special Revenue funds to carry out the purposes of this  
21 Part.

22  
23 **1997-98**

24 **LEGISLATURE**

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

29 All Other \$25,000

30 Provides an allocation to the commission for  
31 contracted staff.

32  
33  
34  
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36  
37 **PART D**

38  
39 **Sec. D-1. 36 MRSA §1752, sub-§9-B,** as amended by PL 1989, c.  
40 501, Pt. V, §5, is further amended to read:

41  
42 **9-B. Production.** "Production" means an operation or  
43 integrated series of operations engaged in as a business or  
44 segment of a business which that transforms or converts personal  
45 property by physical, chemical or other means into a different  
46 form, composition or character from that in which it originally  
47 existed.  
48

2        "Production" includes manufacturing, processing, assembling and  
3        fabricating operations which that meet the definitional  
4        requisites, including biological processes that are part of an  
5        integrated process of manufacturing organisms or microorganic  
6        materials through the application of biotechnology.

7        "Production" does not include biological processes except as  
8        otherwise provided by this subsection, wood harvesting  
9        operations, the severance of sand, gravel, oil, gas or other  
10       natural resources produced or severed from the soil or water, or  
11       activities such as cooking or preparing drinks, meals, food or  
12       food products by a retailer for retail sale. The foregoing are  
13       examples of activities that are not included within the term  
14       "production."

15        **Sec. D-2. 36 MRSA §1760, sub-§32,** as amended by PL 1985, c.  
16        276, §4, is further amended to read:

17        **32. Machinery and equipment for research.** Sales of  
18        machinery and equipment for use by the purchaser directly and  
19        exclusively in research and development in the experimental and  
20        laboratory sense and sales of machinery, equipment, instruments  
21        and supplies for use by the purchaser directly and primarily in  
22        biotechnology applications, including the application of  
23        technologies such as recombinant DNA techniques, biochemistry,  
24        molecular and cellular biology, immunology, genetics and genetic  
25        engineering, biological cell fusion techniques and new  
26        bioprocesses using living organisms or parts of organisms to  
27        produce or modify products, improve plants or animals, develop  
28        microorganisms for specific uses, identify targets for  
29        small-molecule pharmaceutical development, transform biological  
30        systems and useful processes and products or to develop  
31        microorganisms for specific uses. The--research Equipment and  
32        supplies used for biotechnology include but are not limited to  
33        microscopes, diagnostic testing materials, glasswares, chemical  
34        reagents, computer software and technical books and manuals.  
35        "Research and development" includes testing and evaluation for  
36        the purposes of approval and compliance with regulatory standards  
37        for biotechnological products or materials. "Research and  
38        development" shall-not-be-deemed-to does not include the ordinary  
39        testing or inspecting of materials or products for quality  
40        control, efficiency surveys, management studies, consumer  
41        surveys, advertising, promotions or research in connection with  
42        literary, historical or similar projects.  
43        

44        **Sec. D-3. Transfer of funds.** The State Controller shall  
45        transfer from the Tax Relief Fund for Maine Residents to the  
46        General Fund \$118,720 in fiscal years 1997-98 to offset the  
47        revenue loss associated with the sales tax exemption established  
48        in this Part. An amount equal to \$74,022 may not lapse but  
49

2 must be carried forward to fiscal year 1998-99 to be used for the  
3 same purpose.

4  
5 **PART E**

6  
7 **Sec. E-1. 36 MRSA §5219-N is enacted to read:**

8  
9 **§5219-N. Low-income tax credit**

10  
11 **1. Generally.** Except as otherwise provided by this  
12 section, an individual whose state taxable income is \$2,000 or  
13 less is allowed a credit equal to the amount of the tax otherwise  
14 imposed on that individual by this Part. In no case may the  
15 credit allowed by this section reduce an individual's state  
16 income tax liability to less than zero.

17  
18 **2. Exceptions.** The following individuals are not eligible  
19 for the credit allowed by this section:

20  
21 **A.** An individual who is claimed as a dependent on another  
22 individual's income tax return; and

23  
24 **B.** An individual who is subject to the state minimum tax  
25 imposed by section 5203-A.

26  
27 **3. Returns not required.** Notwithstanding section 5220 or  
28 any other provision of law, an individual who is eligible for  
29 this credit is not required to file a state income tax return.

30  
31 **Sec. E-2. Application date.** This Part applies to tax years  
32 beginning on or after January 1, 1997.

33  
34 **Sec. E-3. Transfer of funds.** The State Controller shall  
35 transfer from the Tax Relief Fund for Maine Residents to the  
36 General Fund \$2,382,939 in fiscal year 1997-98 to offset the  
37 revenue loss associated with the credit established in this  
38 Part. An amount equal to \$982,215 may not lapse but must be  
39 carried forward to fiscal year 1998-99 to be used for the same  
40 purpose.

41  
42 **PART F**

43  
44 **Sec. F-1. Study tax relief and tax reform.** The Joint Standing  
45 Committee on Taxation shall study tax relief and tax reform. The  
46 study must include, but is not limited to, the following issues:  
47 broadening the sales tax base by eliminating current exemptions  
48 or exclusions. Specific focus must be made on the "rent-to-own"  
49 industry, income tax and revenue targeting.





2 FISCAL NOTE

4 1997-98 1998-99

6 APPROPRIATIONS/ALLOCATIONS

8 Other Funds \$5,323,341 \$5,883,551

10 This bill is contingent upon \$16,538,063 being certified as  
12 existing in the Tax Relief Fund for Maine Residents in fiscal  
14 year 1997-98. The General Fund revenue effects and other General  
16 Fund costs are funded during the 1998-1999 biennium by  
18 expenditures and transfers from the Tax Relief Fund for Maine  
20 Residents.

22 The bill provides Other Special Revenue allocations of  
24 \$5,261,358 and \$5,844,147 in fiscal years 1997-98 and 1998-99,  
26 respectively, for the additional costs due to changes in  
28 eligibility for the Maine Residents Property Tax Relief Program  
30 and for the related administrative costs.

32 The bill also provides Other Special Revenue allocations  
34 from the Tax Relief Fund for Maine Residents of \$39,480 for two  
36 legislative studies in fiscal year 1997-98.

38 The bill also transfers from Other Special Revenue to the  
40 General Fund \$1,899,654 and \$3,251,517 in fiscal years 1997-98  
42 and 1998-99, respectively, to offset revenue losses from the  
44 creation of two new sales tax exemptions and two new income tax  
46 exemptions.

48 The bill also includes additional Other Special Revenue  
50 allocations from the Tax Relief Fund for Maine Residents to the  
Bureau of Taxation totaling \$42,503 and \$39,404 in fiscal years  
1997-98 and 1998-99, respectively, for a Revenue Agent position,  
effective January 1, 1998, computer programming and related  
administrative expenses to administer and enforce the  
high-technology investment tax credit.

The sales tax exemptions and income tax credits and other  
statutory changes with General Fund costs included in this bill  
will result in a loss of General Fund revenue beginning in fiscal  
year 1999-2000 estimated to be approximately \$9,000,000 annually.

The sales tax exemptions and income tax credits will result  
in reductions of dedicated revenue to the Local Government Fund  
for state-municipal revenue sharing. The estimated reductions of  
dedicated revenue are \$101,014 in fiscal year 1997-98 and  
\$174,739 in fiscal year 1998-99.

2

## SUMMARY

4

6 Part A of this bill extends benefits to certain households  
through changes to eligibility requirements and the benefit cap  
for the Maine Residents Property Tax Program.

8

10 Part B of this bill encourages the development of  
high-technology industry through the repeal of the sales tax on  
custom computer software, the expansion of the existing tax  
12 credit for research and development and through the creation of a  
new section of the State's investment tax credit that will apply  
14 specifically to high-technology industry.

16 In Part B of the bill, a "super credit" is created to expand  
the State's existing research and development tax credit for  
18 taxpayers who increase their research and development  
expenditures within the State by 50% or more over their current  
20 levels. The taxpayer is not allowed to use the credit to reduce  
tax liability from the prior year's level. This limitation is  
22 designed to encourage expansion of investments that would  
otherwise not occur, while at the same time protecting the  
24 State's revenue base.

26 Part B also establishes a high-technology investment tax  
credit that allows tax credit for investments in computers,  
28 computer software, electronic equipment and communications  
equipment used in high-technology activities. These activities  
30 include the manufacture and production of computers, computer  
software, electronic equipment and communications equipment, as  
32 well as the provision of media and high-technology communications  
and support services on the Internet. Equipment used by  
34 telecommunications service providers is also eligible. The  
high-technology investment tax credit is capped at the amount of  
36 the taxpayer's prior year tax liability, to ensure the protection  
of the State's revenue base.

38

40 Part C of the bill establishes the Commission to Study the  
Restructuring of the State's Fiscal Policies to Promote the  
Development of High-technology Industry in Maine.

42

44 Part D of this bill provides for a sales tax exemption for  
the development of new bioproducts by changing the definition of  
"production" and expanding the exemption for machinery and  
46 equipment used for research.

48

50 Part E of the bill creates a low-income tax credit, which  
will effectively remove 150,000 low-income tax filers from the  
requirement to file a state income tax return.

2           Part F of this bill requires the Joint Standing Committee on  
Taxation to continue studying tax relief and tax reform measures  
4 and report back to the Second Regular Session of the 118th  
Legislature.

6  
8           Part G makes this Act effective only if the State Controller  
certifies that there are sufficient funds available in the Tax  
Relief Fund for Maine Residents.