

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

SECOND REGULAR SESSION-1998

Legislative Document

No. 2088

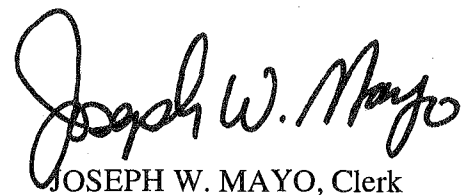
H.P. 1489

House of Representatives, January 20, 1998

**An Act to Amend the Laws Concerning Access to Capital for Maine
Businesses.**

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Business and Economic Development suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative KONTOS of Windham.
Cosponsored by Representative VIGUE of Winslow.

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

2
4 Sec. 1. 10 MRSA §1100-T, sub-§2-A, as amended by PL 1995, c. 658, §4, is further amended to read:

6 2-A. Eligibility of private venture capital funds for tax
8 credit certificate. The authority shall adopt rules in
10 accordance with the Maine Administrative Procedure Act to
12 implement application of the program to investment in a private
14 venture capital fund. Without limitation, the requirements for
16 eligibility for a tax credit certificate for investment in a
18 private venture capital fund include the following.

14 A. ~~A tax credit certificate may be issued in an amount not~~
16 ~~more than 30% of the amount of cash actually invested in a~~
18 ~~private venture capital fund in any calendar year. A tax~~
20 ~~credit certificate may be issued to an individual who~~
22 ~~invests in a private venture capital fund in an amount that:~~

20 (1) Is not more than 30% of the amount of cash actually
22 invested in a private venture capital fund in any
24 calendar year by the individual; and

24 (2) Does not exceed 30% of the amount of cash invested
26 by the fund in eligible businesses.

26 The aggregate amount of credits issued to investors in a
28 fund may not exceed 30% of the amount of cash invested by
30 the fund in eligible businesses.

30 B. ~~Each state business in which the private venture capital~~
32 ~~fund invests must be~~ As used in this subsection, unless the
34 ~~context otherwise indicates, an "eligible business" means a~~
36 ~~business located in the State that is a manufacturer; must~~
38 ~~provide provides~~ a service that is sold or rendered, or is
40 projected to be sold or rendered, predominantly outside of
42 the State; or must-bring brings capital into the State, as
44 determined by the authority.

40 C. Aggregate investment eligible for tax credits may not be
42 more than \$600,000 \$1,000,000 for any one private venture
44 capital fund as of the date of issuance of a tax credit
46 certificate.

44 D. The investment with respect to which any individual is
46 applying for a tax credit certificate may not be more than
48 an aggregate of \$100,000 \$200,000 in any one private venture
capital fund in any 3 consecutive calendar years, except

2 that this paragraph does not limit other investment by any
applicant for which that applicant is not applying for a tax
credit certificate.

4
6 E. Each business receiving an investment from a private
venture capital fund, which investment is used as the basis
8 for the issuance of a tax credit certificate, must have
annual gross sales of \$2,000,000 or less and the operation
10 of the business must be the full-time professional activity
of the principal owner, as determined by the authority. The
12 principal owner and principal owner's spouse are not
eligible for a credit for investment in that business or the
14 private venture capital fund. A tax credit certificate may
not be issued to a parent, brother, sister or child of a
16 principal owner if the parent, brother, sister or child has
any existing ownership interest in the that business or in
the private venture capital fund.

18
20 F. Each investment received by a business from a private
venture capital fund, which investment is used as the basis
22 for the issuance of a tax credit certificate, must be
expended on plant maintenance and construction, equipment,
24 research and development or working capital for the business
or on such other business activity as may be approved by the
authority.

26
28 G. The authority shall establish limits on repayment of the
investment by an individual in and the investments made by a
private venture capital fund, which investment is used as
30 the basis for the issuance of a tax credit certificate. The
investments must be at risk in the private venture capital
32 fund and the business, respectively.

34 H. The investors qualifying for the credit must
collectively own less than 1/2 of the private venture
36 capital fund and less than 1/2 of any business in which an
investment is made by the private venture capital fund,
38 which investment is used as the basis for the issuance of a
tax credit.

42 SUMMARY

44 This bill amends the Maine Seed Capital Tax Credit Program
by allowing private venture capital funds to invest in businesses
46 that would not qualify for a credit, so long as credits are not
issued for more than 30% of the amount of investments made by the
48 fund in businesses that would qualify for the credit. In
addition, the limits on qualifying investments in private venture
50 capital funds have been increased to \$200,000 per investor per
3-year period and to \$1,000,000 per fund.