

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 1298

H.P. 974

House of Representatives, February 28, 2001

**An Act Providing for Enhancements to the Maine Seed Capital Tax
Credit Program.**

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND, Clerk

Presented by Representative TESSIER of Fairfield.

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 1999, c.
752, §1, is further amended to read:

6 A. A tax credit certificate may be issued in an amount not
more than 30% 40% of the amount of cash actually invested in
8 a Maine business in any calendar year. ~~For certificates~~
~~issued prior to July 1, 2001 for investments made after July~~
10 ~~1, 2000, the tax credit certificate may be issued in an~~
12 ~~amount not more than 40% of the amount of cash actually~~
~~invested in a Maine business in any calendar year.~~

14 **Sec. 2. 10 MRSA §1100-T, sub-§2-A, ¶¶A, C to E and H**, as amended
by PL 1997, c. 774, §1, are further amended to read:

16

18 A. A tax credit certificate may be issued to an individual
who invests in a private venture capital fund in an amount
that:

20

22 (1) Is not more than 30% 40% of the amount of cash
actually invested in or unconditionally committed to a
private venture capital fund in any calendar year by
24 the individual or entity; and

26

28 (2) Does not exceed 30% 40% of the amount of cash
invested by the fund in eligible businesses, except
that the authority may issue tax credit certificates in
30 an amount not to exceed 20% of the amount of cash
actually invested in or unconditionally committed to a
32 private venture capital fund in any calendar year if
the authority determines that the private venture
34 capital fund is located in this State, is owned and
controlled primarily by residents of this State and has
36 designated investing in eligible businesses of this
State as a major investment objective. The credit may
38 be revoked to the extent that the private venture
capital fund does not make investments eligible for the
40 tax credit in an amount sufficient to qualify for the
credits within 3 years after the date of the tax credit
42 certificates. Notwithstanding any revocation pursuant
44 to this subparagraph, each investor remains eligible
for tax credit certificates for eligible investments as
and when made by the private venture capital fund.

46

48 The aggregate amount of credits issued to investors in a
fund may not exceed 30% 40% of the amount of cash invested
by the fund in eligible businesses.

2 C. Aggregate investment eligible for tax credits may not be
4 more than \$1,000,000 for any one business and for any one
private venture capital fund as of the date of issuance of a
tax credit certificate.

6 D. The investment with respect to which any individual or
8 entity is applying for a tax credit certificate may not be
10 more than an aggregate of \$200,000 in any one eligible
12 business invested in by a private venture capital fund in
14 any 3 consecutive calendar years, except that this paragraph
does not limit other investment by any applicant for which
16 that applicant is not applying for a tax credit certificate
18 and except that, if the entity applying for a tax credit
20 certificate is a partnership, limited liability company, S
corporation, nontaxable trust or any other entity that is
treated as a flow-through entity for tax purposes under the
federal Internal Revenue Code, the aggregate limit of
\$200,000 applies to each individual partner, member,
stockholder, beneficiary or equity owner of the entity and
not to the entity itself.

22 E. Each business receiving an investment from a private
24 venture capital fund, which investment is used as the basis
26 for the issuance of a tax credit certificate, must have
annual gross sales of \$2,000,000 \$3,000,000 or less and the
28 operation of the business must be the full-time professional
activity of the principal owner, as determined by the
30 authority. The principal owner and principal owner's
spouse, if any, are not eligible for a credit for investment
32 in that business or for an investment by the private venture
capital fund in that business. A tax credit certificate may
34 not be issued to a parent, brother, sister or child of a
principal owner if the parent, brother, sister or child has
any existing ownership interest in that business or in for
36 an investment by the private venture capital fund in that
business.

38 H. The investors qualifying---for---the---credit---must
40 collectively---own---less---than---1/2---of---the---private---venture
capital---fund---and---less---than---1/2---of---any---business---in---which---an
42 investment---is---made---by---the---private---venture---capital---fund,
which---investment---is---used---as---the---basis---for---the---issuance---of---a
44 tax---credit in a private venture capital fund are not
46 entitled to the credit for collective ownership in excess of
50% of any business. An investor in a private venture
48 capital fund determined by the authority to be a principal
owner of a business and the principal owner's spouse, if
any, are not entitled to a credit with respect to investment
in that business, nor are the principal owner's parents,

2 siblings or children entitled to a credit if they have any
3 existing ownership interest in the business.

4 **Sec. 3. 10 MRSA §1100-T, sub-§4**, as amended by PL 1999, c.
5 752, §3, is further amended to read:

6 **4. Total of credits authorized.** The authority may issue
7 tax credit certificates to investors eligible pursuant to
8 subsections 2, and 2-A and--2-B in an aggregate amount not to
9 exceed \$2,000,000 up to and including calendar year 1996,
10 \$3,000,000 up to and including calendar year 1997, \$5,500,000 up
11 to and including calendar year 1998, and \$8,000,000 up to and
12 including calendar year 2001, \$10,000,000 up to and including
13 calendar year 2002, \$11,000,000 up to and including calendar year
14 2003 and \$12,000,000 thereafter. The authority may provide that
15 investors eligible for a tax credit under this section in a year
16 when there is insufficient credit available are entitled to take
17 the credit when it becomes available.

18
19 **Sec. 4. Application.** This Act applies to tax credit
20 certificates issued on or after the effective date of this Act
21 for investments made on or after the effective date of this Act.

22 23 24 25 26 27 28 29 30 31 32 33 34 SUMMARY

35 This bill amends the Maine Seed Capital Tax Credit Program.
36 The changes increase the amount of the tax credit from 30% to 40%
37 of an eligible investment, authorize the use of the credit for
38 investments in certain private venture capital funds and allow
39 the credit to flow through certain entities to the underlying
40 taxpayer. In addition, the bill increases the total authorized
41 amount of tax credits that may be issued under the program from
42 \$8,000,000 to \$12,000,000 over a 4-year period.