

MAINE STATE LEGISLATURE

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TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
120TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1509, L.D. 2012, Bill, "An Act to Expand the Maine Seed Capital Tax Credit Program"

Amend the bill by inserting after the enacting clause and before section 1 the following:

Sec. 1. 5 MRSA §13070-J, sub-§1, ¶D, as enacted by PL 1997, c. 761, §2, is amended to read:

D. "Economic development incentive" means:

(1) Assistance from Maine Quality Centers under Title 20-A, chapter 431-A;

(2) The Governor's Training Initiative Program under Title 26, chapter 25, subchapter IV;

(3) Municipal tax increment financing under Title 30-A, chapter 207;

(4) The jobs and investment tax credit under Title 36, section 5215;

(5) The research expense tax credit under Title 36, section 5219-K;

(6) Reimbursement for taxes paid on certain business property under Title 36, chapter 915; or

(7) Employment tax increment financing under Title 36, chapter 917, or

(8) The credit for seed capital investment under Title 36, section 5216-B.

Sec. 2. 5 MRSA §13070-J, sub-§3, as amended by PL 2001, c. 481, §2, is further amended to read:

3. Report. Annually, a business receiving an economic development incentive described in subsection 1, paragraph D, subparagraphs (1) to (7), the value of which exceeds \$10,000 in one year, shall submit a written report to the commissioner no later than August 1st of the following year containing but not limited to the following information:

A. The amount of assistance received by the business in the preceding year from each economic development incentive and the uses to which that assistance has been put;

B. The total amount of assistance received from all economic assistance programs;

C. The number, type and wage level of jobs created or retained as a result of an economic development incentive;

D. Current employment levels for the business for all operations within the State, the number of employees in each job classification and the average wages and benefits for each classification;

E. Any changes in employment levels that have occurred over the preceding year; and

F. An assessment of how the business has performed with respect to the public purpose identified in subsection 2, paragraph A, if applicable.

The department shall mail report forms by May 15th of each year to every business required to file a report under this subsection. Reports filed under this subsection are public records for purposes of Title 1, chapter 13.

Sec. 3. 5 MRSA §13070-J, sub-§4, ¶D, as amended by PL 2001, c. 481, §2, is further amended to read:

D. The department shall report by October 1st annually to the Legislature ~~on the amount of public funds spent for the direct benefit of businesses in the State under municipal~~

~~tax-increment-financing, employment-tax-increment-financing and the Governor's training initiative. The report must identify the amount of economic development incentives under the jurisdiction of the department received by each business and the public benefit resulting from those economic development incentives. the following:~~

(1) The amount of public funds spent for the direct benefit of businesses in the State under municipal tax increment financing, employment tax increment financing and the Governor's training initiative. The report must identify the amount of economic development incentives under the jurisdiction of the department received by each employer and the public benefit resulting from those economic development incentives; and

(2) The activities in the State, in the aggregate, of businesses receiving funds through the Maine Seed Capital Tax Credit program, including the following:

(a) The total amount of tax credit certificates issued by the Finance Authority of Maine;

(b) The total amount of private investment;

(c) Total employment;

(d) The total number of jobs created;

(e) The total number of jobs retained;

(f) Total payroll; and

(g) Total annual sales.

The Finance Authority of Maine shall provide the department with the information collected in accordance with Title 10, section 1100-T, subsection 6 and assist in the preparation of this report.'

Further amend the bill by inserting after section 3 the following:

'Sec. 4. 10 MRSA §1100-T, sub-§2, ¶I is enacted to read:

I. The business receiving the investment may not be in violation of the requirements of subsection 6.'

Further amend the bill by striking out all of section 4 and inserting in its place the following:

'Sec. 4. 10 MRSA §1100-T, sub-§2-A, ¶¶A, C and D, as amended by PL 2001, c. 446, §2 and affected by §6, are further amended to read:

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

(1) Is not more than 40% of the amount of cash actually invested in or unconditionally committed to a private venture capital fund in any calendar year by the individual or entity, except that with respect to fund investments that are made in eligible businesses that are located in a high unemployment area, as determined by rule of the authority under subsection 2, the tax credit certificate may not be more than 60% of the cash actually invested in or unconditionally committed to a private venture capital fund in any calendar year by the individual or entity; and

(2) Does not exceed 40% of the amount of cash invested by the fund in eligible businesses, except that with respect to fund investments that are made in eligible businesses that are located in a high unemployment area, as determined by rule of the authority under subsection 2, a tax credit certificate may not be more than 60% of the cash invested by the fund in any calendar year in such businesses; provided that the authority may issue tax credit certificates in an amount not to exceed 20% of the amount of cash actually invested in or unconditionally committed to a private venture capital fund in any calendar year if the authority determines that the private venture capital fund is located in this State, is owned and controlled primarily by residents of this State and has designated investing in eligible businesses of this State as a major investment objective. The credit may be revoked to the extent that the private venture capital fund does not make investments eligible for the tax credit in an amount sufficient to qualify for the credits within 3 years after the date of the tax credit certificates. Notwithstanding any revocation pursuant to this subparagraph, each investor remains eligible for tax credit certificates for eligible investments as and when made by the private venture capital fund.

2 The aggregate amount of credits issued to investors in a
3 fund may not exceed 40% of the amount of cash invested by
4 the fund in eligible businesses, except that with respect to
5 fund investments in eligible businesses that are located in
6 a high unemployment area, the aggregate amount of tax
7 credits issued to investors in a fund may not exceed 60% of
8 the cash invested by the fund in eligible businesses.

9
10 C. Aggregate investment eligible for tax credits may not be
11 more than ~~\$1,000,000~~ \$5,000,000 for any one business for any
12 one private venture capital fund as of the date of issuance
13 of a tax credit certificate.

14 D. The investment with respect to which any individual or
15 entity is applying for a tax credit certificate may not be
16 more than an aggregate of ~~\$200,000~~ \$500,000 in any one
17 eligible business invested in by a private venture capital
18 fund in any 3 consecutive calendar years, except that this
19 paragraph does not limit other investment by any applicant
20 for which that applicant is not applying for a tax credit
21 certificate and except that, if the entity applying for a
22 tax credit certificate is a partnership, limited liability
23 company, S corporation, nontaxable trust or any other entity
24 that is treated as a flow-through entity for tax purposes
25 under the federal Internal Revenue Code, the aggregate limit
26 of ~~\$200,000~~ \$500,000 applies to each individual partner,
27 member, stockholder, beneficiary or equity owner of the
28 entity and not to the entity itself.'

29
30 Further amend the bill by inserting after section 5 the
31 following:

32 'Sec. 6. 10 MRSA §1100-T, sub-§6 is enacted to read:

33
34 6. Reports. Any business eligible to have investors
35 receive a tax credit under this section must report to the
36 authority, in a manner to be determined by the authority, the
37 following information regarding its activities in the State over
38 the calendar year in which the investment occurred:

39
40 A. The total amount of private investment received;

41
42 B. The total number of persons employed as of December 31st;

43
44 C. The total numbers of jobs created and retained;

45
46 D. Total annual payroll; and

47
48 E. Total sales revenue.'
49
50

Further amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

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

FISCAL NOTE

2002-03

REVENUES

General Fund	(\$119,001)
Other Funds	(6,461)

This bill increases the tax credit from 40% to 60% for eligible investments in high unemployment areas, increases the amount of investment eligible for the credit, increases the percentage of the credit that can be taken in a given year, decreases the number of years the credit can be taken and increases the level of tax credits authorized for the Maine Seed Capital Tax Credit Program. This expansion will decrease individual income tax collections by \$125,462 in fiscal year 2002-03, \$254,650 in fiscal year 2003-04 and \$381,938 in fiscal year 2004-05. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those fiscal years by \$6,461, \$13,242 and \$19,861, respectively. The resulting net reductions of General Fund revenue will be \$119,001 in fiscal year 2002-03, \$241,408 in fiscal year 2003-04 and \$362,077 in fiscal year 2004-05.

The additional costs associated with modifying the Maine Seed Capital Tax Credit Program and assisting the Department of Economic and Community Development with preparation of the report can be absorbed by the Finance Authority of Maine utilizing existing budgeted resources.

The additional costs associated with reporting under the economic development incentive law can be absorbed by the Bureau of Revenue Services within the Department of Administrative and Financial Services and the Department of Economic and Community Development utilizing existing budgeted resources.'

SUMMARY

2

4 This amendment adds a provision increasing to 60% the seed
6 capital tax credit available for investments in eligible private
8 venture capital funds that invest in eligible businesses in
 designated high unemployment areas. The amendment adds the seed
 capital investment tax credit to the list of economic development
 incentives subject to reporting requirements. The amendment also
 adds a fiscal note to the bill.