

# MAINE STATE LEGISLATURE

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L.D. 1385

DATE: 4.18.03

(Filing No. S-68)

**BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT**

Reported by:

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**STATE OF MAINE  
SENATE  
121ST LEGISLATURE  
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 456, L.D. 1385, Bill, "An Act To Establish the Pine Tree Development Zones Program"

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

**'Emergency preamble. Whereas,** Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

**Whereas,** the creation of Pine Tree Development Zones will provide a crucial economic boost to areas of the State in distress; and

**Whereas,** in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,'

Further amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

**'Sec. 1. 30-A MRSA §5223, sub-§3,** as enacted by PL 2001, c. 669, §1, is amended by amending the last blocked paragraph to read:

The conditions in paragraphs A to D do not apply to approved downtown tax increment financing districts or tax increment

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financing districts included within Pine Tree Development Zones designated and approved under subchapter 3.

Sec. 2. 30-A MRSA c. 206, sub-c. 3 is enacted to read:

SUBCHAPTER 3

PINE TREE DEVELOPMENT ZONES

§5245. Findings and declaration of necessity

1. Legislative finding. The Legislature finds that there is a need to encourage development in economically distressed areas of the State in order to:

A. Provide new employment opportunities;

B. Improve existing employment opportunities;

C. Improve and broaden the tax base; and

D. Improve the general economy of the State.

2. Authorization. For the reasons set out in subsection 1, a unit of local government, or 2 or more cooperating units of local government, may develop a program for improving a district within its collective boundaries:

A. To provide impetus for targeted business development;

B. To increase employment; and

C. To provide the facilities outlined in the development program adopted by the participating units of local government.

3. Declaration of public purpose. The Legislature declares that the actions required to assist the implementation of these development programs are a public purpose and that the execution and financing of these programs are a public purpose.

§5246. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Affiliated business. "Affiliated business" means a member of a group of 2 or more businesses in which more than 50% of the voting stock of each member corporation or more than 50% of the ownership interest in a business other than a corporation

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1 is directly or indirectly owned by a common owner or owners,  
2 either corporate or noncorporate, or by one or more of the member  
3 businesses.

4  
5 2. Applicant. "Applicant" means any unit of local  
6 government and any group of cooperating units of local government  
7 in the State that apply for designation as a Pine Tree  
8 Development Zone under section 5247.

10 3. Average employment during base period. "Average  
11 employment during base period" for a business means the total  
12 number of qualified employees of that business on each of 6  
13 consecutive measurement days in each of the 3 calendar years in  
14 the base period as chosen by the business divided by 18.

16 4. Base level of employment. "Base level of employment"  
17 means the greater of either the total employment in the State of  
18 a business and its affiliated businesses as of the December 31st  
19 immediately preceding its certification as a qualified Pine Tree  
20 Development Zone business or its average employment during the  
21 base period.

22  
23 5. Base period. "Base period" means the 3 calendar years  
24 prior to the year in which a business is certified as a qualified  
25 Pine Tree Development Zone business.

26  
27 6. Commissioner. "Commissioner" means the Commissioner of  
28 Economic and Community Development.

30 7. Department. "Department" means the Department of  
31 Economic and Community Development.

32  
33 8. Financial services. "Financial services" means services  
34 provided by an insurance company subject to taxation under Title  
35 36, chapter 357; a financial institution subject to taxation  
36 under Title 36, chapter 819; or a mutual fund service provider as  
37 defined in Title 36, section 5212, subsection 1, paragraph E.

38  
39 9. Labor market average weekly wage. "Labor market average  
40 weekly wage" means the average weekly wage as published by the  
41 Department of Labor for the labor market or markets in which  
42 potential qualified Pine Tree Development Zone employees are  
43 located for the 12 most recently reported months preceding the  
44 date of application for zone designation.

46 10. Labor market unemployment rate. "Labor market  
47 unemployment rate" means the average unemployment rate as  
48 published by the Department of Labor for the labor market or  
49 markets in which potential qualified Pine Tree Development Zone

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1 employees are located for the 12 most recently reported months  
2 preceding the date of application for zone designation.

4 11. Manufacturing. "Manufacturing" means the production of  
5 tangible personal property intended to be sold or leased  
6 ultimately for final use or consumption or the production of  
7 tangible personal property pursuant to a contract with the  
8 Federal Government or any agency thereof.

10 12. Person. "Person" has the same meaning as defined in  
11 Title 36, section 111, subsection 3.

12 13. Pine Tree Development Zone. "Pine Tree Development  
13 Zone" or "zone" means a specified area within the boundaries of a  
14 unit of local government, or within the boundaries of cooperating  
15 units of local government in a multijurisdictional application,  
16 that has been designated by the commissioner as a Pine Tree  
17 Development Zone in accordance with section 5247.

18 14. Pine Tree Development Zone benefits. "Pine Tree  
19 Development Zone benefits" means:

20 A. The exclusion from the limitations established under  
21 section 5223, subsection 3 of tax increment financing  
22 districts included within a Pine Tree Development Zone;

23 B. Expanded employment tax increment financing benefits  
24 under Title 36, chapter 917;

25 C. The sales tax exemptions under Title 36, section 1760,  
26 subsections 86 and 87; and

27 D. The Pine Tree Development Zone tax credits provided by  
28 Title 36, sections 2529 and 5219-W.

29 15. Production. "Production" has the same meaning as  
30 defined in Title 36, section 1752, subsection 9-B.

31 16. Qualified business activity. "Qualified business  
32 activity" means a business activity that is conducted within a  
33 Pine Tree Development Zone and is directly related to financial  
34 services, manufacturing or a targeted technology business for  
35 which the business receives a certificate from the commissioner  
36 pursuant to section 5250-B.

37 17. Qualified Pine Tree Development Zone business.  
38 "Qualified Pine Tree Development Zone business" or "qualified  
39 business" means any for-profit business in this State engaged in  
40 financial services, manufacturing or a targeted technology  
41 business that adds qualified Pine Tree Development Zone employees  
42 to the Pine Tree Development Zone.

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2 above its base level of employment in this State and that meets  
3 the following criteria:

4 A. It demonstrates that the establishment or expansion of  
5 operations within the Pine Tree Development Zone would not  
6 occur within the State absent the availability of the Pine  
7 Tree Development Zone benefits; and

8 B. It has received a certificate as a qualified business  
9 pursuant to section 5250-B.

12 18. Qualified Pine Tree Development Zone employees.  
13 "Qualified Pine Tree Development Zone employees" means new,  
14 full-time employees hired in this State by a qualified Pine Tree  
15 Development Zone business for work directly in one or more  
16 qualified business activities for whom a retirement program  
17 subject to the Employee Retirement Income Security Act of 1974,  
18 29 United States Code, Sections 101 to 1461 (2003) and group  
19 health insurance are provided and whose wages derived from  
20 employment within the Pine Tree Development Zone, calculated on a  
21 calendar year and per capita basis, are greater than the average  
22 annual per capita wages in the local labor market area in the  
23 county in which the qualified employee is employed. Qualified  
24 Pine Tree Development Zone employees must be residents of this  
25 State.

26 19. State average weekly wage. "State average weekly wage"  
27 means the average weekly wage as published by the Department of  
28 Labor for the State as a whole for the 12 most recently reported  
29 months preceding the date of application for zone designation.

32 20. State unemployment rate. "State unemployment rate"  
33 means the average unemployment rate published by the Department  
34 of Labor for the State as a whole for the 12 most recently  
35 reported months preceding the date of application for zone  
36 designation.

38 21. Targeted technology business. "Targeted technology  
39 business" means a business primarily involved in a targeted  
40 technology as defined in Title 5, section 15301.

42 22. Unit of local government. "Unit of local government"  
43 means a municipality, county, plantation, unorganized territory  
44 or Indian tribe.

46 **§5247. Pine Tree Development Zones**

48 1. Creation. One or more units of local government, or an  
49 organization representing one or more units of local government,  
50 may apply to the commissioner for the designation of a Pine Tree

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2 Development Zone within the boundaries of the unit or units of  
3 local government in accordance with the requirements of this  
4 subchapter. County governments may apply on behalf of  
5 unorganized territories. Groups of units of local government may  
6 apply for multijurisdictional or joint projects.  
7 Multijurisdictional applications require designation of one unit  
8 of local government as the lead applicant and consent for that  
9 designation by each participating unit of local government.  
10 Counties may also apply on behalf of a consortium of units of  
11 local government. The designation of a Pine Tree Development Zone  
12 may not conflict with the provisions of a municipal or other unit  
13 of local government charter. Zones that meet the requirements of  
14 subsection 2 are authorized for designation as follows:

15 A. Aroostook County, including up to 100 acres of land  
16 reserved for the Aroostook Band of Micmacs and the Houlton  
17 Band of Maliseet Indians;

18 B. The Androscoggin Valley region, including the Lewiston  
19 Enterprise Community Zone as designated by the federal  
20 Agriculture, Rural Development, Food and Drug  
21 Administration, and Related Agencies, Appropriations Act,  
22 Public Law 105-277 (1999);

23 C. The Penobscot Valley region, including up to 500 acres  
24 of land reserved for the Penobscot Nation; and

25 D. Washington County and the Downeast region, including up  
26 to 500 acres of land reserved for the Passamaquoddy Tribe.

27 The commissioner may designate up to 4 additional zones through  
28 the process established in section 5249.

29 2. Requirements for designation. The commissioner shall  
30 adopt rules establishing the minimum requirements for the  
31 designation of Pine Tree Development Zones. Additionally, each  
32 participating unit of local government must agree to maintain at  
33 least one prepermitted construction or development site available  
34 within the zone on a continual basis throughout the term of the  
35 zone.

36 3. Limitations. The designation of Pine Tree Development  
37 Zones is subject to the following limitations:

38 A. The total area of a zone, including all noncontiguous  
39 parcels, may not exceed 5,000 acres;

40 B. A zone located in Aroostook County as described in  
41 subsection 1, paragraph A may include property that is also  
42 included within the Aroostook County Empowerment Zone as  
43 described in subsection 1, paragraph A.

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designated by the federal Community Renewal Tax Relief Act of 2000, Public Law 106-554;

C. Pine Tree Development Zone benefits may not be used to encourage or facilitate the transfer of existing positions or property of a qualified business or affiliated businesses into a zone from a location elsewhere in the State;

D. Pine Tree Development Zone benefits may not be provided based upon any employees or positions transferred by the business or affiliated businesses into a Pine Tree Development Zone from a location elsewhere in the State;

E. A Pine Tree Development Zone may not consist of more than 20 noncontiguous parcels of property;

F. All property included within the boundaries of a Pine Tree Development Zone must be suitable for one or more qualified Pine Tree Development Zone business activities;

G. All property included within a Pine Tree Development Zone must be within a labor market area for which the labor market unemployment rate is greater than the state unemployment rate at the time of application;

H. All property included within a Pine Tree Development Zone must be within a labor market area for which the labor market average weekly wage is below the state average weekly wage at the time of application; and

I. The restrictions contained in paragraphs G and H may be waived for property that is contained within a labor market area that has sustained a greater than 5% loss of population or workforce during the 3-year period immediately preceding the time of application if the loss is caused by business closings.

4. Application. An application for designation of a Pine Tree Development Zone must include, but is not necessarily limited to, the following:

A. A narrative description of the Pine Tree Development Zone to be designated;

B. Maps and any other information necessary to clearly identify the geographic boundaries of the Pine Tree Development Zone and any subzones it may include;

C. Evidence that the Pine Tree Development Zone meets the requirements of subsection 3;



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- 2            D. Any information evidencing economic distress; and
- 4            E. A development plan that includes:
- 6                    (1) Documentation of all municipal commitments required  
                         under subsection 2;
- 8                    (2) A description of how the Pine Tree Development Zone  
10                   will be administered, including any related interlocal  
                         cooperative agreements;
- 12                   (3) A description of the goals and objectives to be  
14                   accomplished through the Pine Tree Development Zone;
- 16                   (4) A description of the resources to be committed to  
18                   the Pine Tree Development Zone by the applicant or  
                         applicants; and
- 20                   (5) Plans for accomplishing the goals and objectives,  
22                   including a marketing plan and related time line and  
                         milestones.

24            5. Termination. All Pine Tree Development Zone  
26            designations approved under this subchapter and all Pine Tree  
                 Development Zone benefits are terminated on December 31, 2018.

28            **§5248. Procedure**

30            1. Notice and hearing. Before designating a Pine Tree  
32            Development Zone or adopting a development plan, the legislative  
                 body of each applicant unit of local government or the  
34            legislative body's designee must hold at least one public  
                 hearing. Notice of the hearing must be published at least 10  
36            days before the hearing in a newspaper of general circulation  
                 within the unit of local government.

38            2. Vote of unit of local government legislative body. Each  
40            applicant unit of local government must designate that portion of  
                 the Pine Tree Development Zone contained within its boundaries  
42            and take all actions required to satisfy the requirements of  
                 section 5247, subsection 2 by majority vote of its legislative  
                 body.

44            3. Effective date. The establishment of a Pine Tree  
46            Development Zone is effective upon designation by the  
                 commissioner.

48            4. Administration of zone. The participating units of  
50            local government may create an organization, designate an

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existing department or agency or enter into a contractual arrangement with a private entity to administer activities authorized under this subchapter.

5. Amendments. A participating unit of local government may amend the designation of that portion of a Pine Tree Development Zone contained within its boundaries or an adopted development plan only after meeting the requirements of this section for designation of a Pine Tree Development Zone or adoption of a development plan and with the concurrence of all other participating units of local government. A participating unit of local government may not amend the designation of a Pine Tree Development Zone if the amendment would result in the zone's being out of compliance with any of the requirements in section 5247.

**§5249. Selection criteria**

1. Review and selection. The commissioner shall review applications and select zones for designation based upon the following criteria:

A. Severity of economic distress within the region affected by the Pine Tree Development Zone;

B. Viability of a development plan described under section 5247, subsection 4, paragraph E;

C. Commitment of local and regional financial resources;

D. Partnerships with public and private organizations; and

E. Impact on surrounding regions of the Pine Tree Development Zone.

**§5250. Program administration: rules**

The commissioner shall administer this subchapter. The commissioner shall adopt rules pursuant to the Maine Administrative Procedure Act for implementation of Pine Tree Development Zones, including, but not limited to, rules for determining and certifying eligibility, selecting zones for designation and evaluating on a periodic basis the progress and success of each Zone in achieving its goals. Rules adopted under this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

**§5250-A. Unorganized territory**

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2 For the purposes of this subchapter, a county may act as a  
4 municipality for the unorganized territory within the county and  
6 may designate development districts within the unorganized  
8 territory. When a county acts under this section, the county  
commissioners act as the municipality and as the municipal  
legislative body, the State Tax Assessor acts as the municipal  
assessor and the unorganized territory education and services  
fund receives the funds designated for the municipal general fund.

10 **§5250-B. Certification of qualified business**

12 A business may apply to the commissioner for certification  
14 as a qualified Pine Tree Development Zone business. Upon review  
16 and determination by the commissioner that a business is a  
18 qualified Pine Tree Development Zone business, the commissioner  
shall issue a certificate of qualification to the business that  
includes a description of the qualified business activity for  
which the certificate is being issued.

20 **§5250-C. Report**

22 Not later than April 1, 2005 and April 1st of each  
24 odd-numbered year thereafter, the commissioner shall report to  
26 the joint standing committee of the Legislature having  
jurisdiction over economic development matters on the status of  
the Pine Tree Development Zones.

28 **Sec. 3. 36 MRSA §1760, sub-§§86 and 87 are enacted to read:**

30 **86. Construction contracts with qualified development zone**  
32 **businesses. Sales to a construction contractor of tangible**  
34 **personal property that is to be physically incorporated in, and**  
36 **become a permanent part of, real property that is owned by or for**  
38 **sale to a qualified Pine Tree Development Zone business, as**  
40 **defined in Title 30-A, section 5246, subsection 17, which real**  
42 **property will be used in the qualified business activity, as**  
44 **defined in Title 30-A, section 5246, subsection 16, of the**  
**qualified Pine Tree Development Zone business in a Pine Tree**  
**Development Zone, as defined in Title 30-A, section 5246,**  
**subsection 13. The exemption provided by this subsection is**  
**limited to sales to a construction contractor occurring within a**  
**period of 10 years from the date the qualified Pine Tree**  
**Development Zone business receiving the property is certified**  
**pursuant to Title 30-A, section 5250-B or until December 31,**  
**2018, whichever occurs first.**

46 **87. Sales of tangible personal property to qualified**  
48 **development zone businesses. Sales of tangible personal property**  
50 **to a qualified Pine Tree Development Zone business, as defined in**  
**Title 30-A, section 5246, subsection 17, for use directly and**

2 primarily in one or more qualified business activities, as  
3 defined in Title 30-A, section 5246, subsection 16. The  
4 exemption provided by this subsection is limited for each  
5 qualified Pine Tree Development Zone business to sales occurring  
6 within a period of 10 years from the date the business is  
7 certified pursuant to Title 30-A, section 5250-B or until  
8 December 31, 2018, whichever occurs first.

9 **Sec. 4. 36 MRSA §2529** is enacted to read:

10 **§2529. Pine Tree Development Zone tax credit**

11 **1. Credit allowed.** A taxpayer that is a qualified Pine  
12 Tree Development Zone business as defined in Title 30-A, section  
13 5246, subsection 17 is allowed a credit in the amount of:

14 A. One hundred percent of the tax associated with premiums  
15 sold by a qualified business located in a Pine Tree  
16 Development Zone that would otherwise be due under this  
17 chapter for each of the first 5 taxable years that the  
18 taxpayer is required to file a return pursuant to this  
19 chapter beginning after the taxpayer commences its qualified  
20 business activity, as defined in Title 30-A, section 5246,  
21 subsection 16, and that are directly attributable to a  
22 qualified business activity; and

23 B. Fifty percent of the tax associated with premiums sold  
24 by a qualified business in a Pine Tree Development Zone that  
25 would otherwise be due under this chapter for each of the  
26 taxable years beginning with the 6th taxable year and ending  
27 with the 10th taxable year that the taxpayer is required to  
28 file a return pursuant to this chapter after the taxpayer  
29 commences its qualified business activity, as defined in  
30 Title 30-A, section 5246, subsection 16, and that are  
31 attributable to a qualified business activity.

32 **2. Apportioned credit in certain circumstances.** In the  
33 case of a qualified Pine Tree Development Zone business as  
34 defined in Title 30-A, section 5246, subsection 17, including any  
35 affiliated members of the qualified business, that has a business  
36 presence in the State other than that conducted within a Pine  
37 Tree Development Zone, as defined by Title 30-A, section 5246,  
38 subsection 13, the credit provided for in this section is to be  
39 calculated based upon a pro forma determination. The pro forma  
40 determination must be based on the assumption that all of the  
41 business activities conducted by the qualified Pine Tree  
42 Development Zone business and the affiliated members, if any,  
43 within this State constitute a unitary business, but only the  
44 qualified business activity conducted in the Pine Tree  
45 Development Zone is subject to tax imposed by this Part. The

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2 portion of the tax liability of the qualified Pine Tree  
3 Development Zone business and the affiliated members, if any,  
4 related to the business activity conducted in the Pine Tree  
5 Development Zone must be determined by use of a percentage, the  
6 numerator of which is the property value and the payroll for the  
7 taxable year directly attributed to the qualified business  
8 activity of the business and the denominator of which is the  
9 statewide property value and payroll for the taxable year of the  
10 qualified business and its affiliated members.

11 3. Limitation. The credit provided by this section may not  
12 be claimed for calendar years beginning on or after January 1,  
13 2019.

14 **Sec. 5. 36 MRSA §5219-W is enacted to read:**

15 **§5219-W. Pine Tree Development Zone tax credit**

16  
17 1. Credit allowed. Except as provided by subsection 2, a  
18 taxpayer that is a qualified Pine Tree Development Zone business  
19 as defined in Title 30-A, section 5246, subsection 17 is allowed  
20 a credit in the amount of:  
21

22  
23 A. One hundred percent of the tax that would otherwise be  
24 due under this Part for each of the first 5 taxable years  
25 that the taxpayer is required to file a return pursuant to  
26 this Part beginning after the taxpayer commences its  
27 qualified business activity, as defined in Title 30-A,  
28 section 5246, subsection 16; and

29  
30 B. Fifty percent of the tax that would otherwise be due  
31 under this Part for each of the taxable years beginning with  
32 the 6th taxable year and ending with the 10th taxable year  
33 that the taxpayer is required to file a return pursuant to  
34 this Part after the taxpayer commences its qualified  
35 business activity, as defined in Title 30-A, section 5246,  
36 subsection 16.

37  
38 2. Apportioned credit in certain circumstances. In the  
39 case of a qualified Pine Tree Development Zone business, as  
40 defined in Title 30-A, section 5246, subsection 17, that has a  
41 business presence in the State other than that conducted within a  
42 Pine Tree Development Zone, as defined by Title 30-A, section  
43 5246, subsection 13, including, but not limited to, a qualified  
44 Pine Tree Development Zone business that is required to file a  
45 combined report pursuant to section 5220, subsections 5 and 6,  
46 the Maine income tax liability of the qualified Pine Tree  
47 Development Zone business, and the affiliated members of its  
48 unitary group, if any, upon which the credit provided for in this  
49 section must be calculated based upon a pro forma determination.  
50

2 The pro forma determination must be based on the assumption that  
3 all of the business activities conducted by the qualified Pine  
4 Tree Development Zone business and the affiliated members of its  
5 unitary group, if any, within this State constitute a unitary  
6 business, but only the qualified business activity conducted in  
7 the Pine Tree Development Zone is subject to tax imposed by this  
8 Part. The portion of the tax liability of the qualified Pine  
9 Tree Development Zone business and the affiliated members of its  
10 unitary group, if any, related to the business activity conducted  
11 in the Pine Tree Development Zone must be determined by use of a  
12 percentage, the numerator of which is the property value and the  
13 payroll for the taxable year directly attributed to the qualified  
14 business activity of the business and the denominator of which is  
15 the statewide property value and payroll for the taxable year of  
16 the qualified business and the members of its unitary group.

17 **3. Sole proprietors and owners of pass-through entities.**

18 In the case of a sole proprietor or the owner of a partnership,  
19 limited liability company, S corporation, trust or other entity  
20 that is treated as a pass-through entity for income tax purposes  
21 under the Code, the amount of the credit allowed under subsection  
22 1 is the amount of tax otherwise due under this Part that relates  
23 to taxable income received by the sole proprietor or owner from  
24 the qualified business as apportioned.

25 **4. Limitation.** The credit provided by this section may not  
26 be claimed for tax years beginning on or after January 1, 2019.

27 **Sec. 6. 36 MRSA §6754, sub-§1, ¶D** is enacted to read:

28  
29  
30 D. For qualified Pine Tree Development Zone employees, as  
31 defined in Title 30-A, section 5246, subsection 18, employed  
32 directly in the qualified business activity of a qualified  
33 Pine Tree Development Zone business, as defined in Title  
34 30-A, section 5246, subsection 17, for whom a certificate of  
35 qualification has been issued in accordance with Title 30-A,  
36 section 5250-B, the reimbursement under this subsection is  
37 equal to 80% of the withholding taxes withheld each year for  
38 which reimbursement is requested and attributed to those  
39 qualified employees for a period of no more than 10 years.  
40 In no event may reimbursement under this subsection be paid  
41 for years beginning after December 31, 2018.

42  
43 **Sec. 7. Administrative costs to be absorbed.** The Department of  
44 Administrative and Financial Services, Bureau of Revenue Services  
45 shall absorb within existing resources any administrative costs  
46 involved in the implementation of this Act.

47  
48 **Sec. 8. Effective date.** That section of this Act that enacts  
49 the Maine Revised Statutes, Title 36, section 1760,  
50

2 subsections 86 and 87 is effective for sales made on or after  
3 July 1, 2003. That section of this Act that enacts Title 36,  
4 section 2529 is effective for calendar years beginning on or  
5 after January 1, 2003. That section of this Act that enacts  
6 Title 36, section 5219-W is effective for tax years beginning on  
7 or after January 1, 2003. That section of this Act that enacts  
8 Title 36, section 6754, subsection 1, paragraph D is effective  
9 for withholding taxes withheld by a qualified Pine Tree  
10 Development Zone business on or after July 1, 2003.

11 **Emergency clause.** In view of the emergency cited in the  
12 preamble, this Act takes effect when approved, except as  
13 otherwise indicated.'

## 16 SUMMARY

17 This amendment replaces the original bill. The amendment  
18 establishes the Pine Tree Development Zone program within the  
19 Department of Economic and Community Development and authorizes  
20 qualified businesses in the manufacturing, target technology and  
21 financial services sectors to receive the following benefits as a  
22 result of their operations established or expanded within the  
23 zones:

24 1. Sales tax exemptions for certain building materials  
25 purchased pursuant to construction contracts with qualified Pine  
26 Tree Development Zone businesses and for all tangible personal  
27 property purchased by qualified businesses;

28 2. Exclusion from the calculation of a municipality's total  
29 tax increment financing district area and original assessed value  
30 limitations of tax increment financing districts established in  
31 Pine Tree Development Zones;

32 3. Employment tax increment financing equal to 80% of  
33 qualified employees' state income tax withholdings directly  
34 attributable to qualified business activities for a period of no  
35 more than 10 years; and

36 4. A tax credit equal to 100% of the state income tax and  
37 insurance premiums tax due and directly attributable to  
38 operations within the zones for each of the first 5 years,  
39 followed by a credit equal to 50% of the state income tax due and  
40 attributable to operations within the zones for the 6th through  
41 10th years.

42 It is specified in the bill that in no event may any of the  
43 tax benefits described above be available to taxpayers after  
44 December 31, 2018.  
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The amendment also limits designation of Pine Tree Development Zones to areas that have a greater unemployment rate than the state average and lower wages than the state average or that have sustained a loss of workforce or population greater than 5% in the previous 3-year period due to business closings. In addition, the amendment includes technical changes to the original bill, adds an emergency preamble and emergency clause, and creates a reporting requirement for the Commissioner of Economic and Community Development.

**FISCAL NOTE REQUIRED**  
**(See attached)**

**COMMITTEE AMENDMENT**



**121st Maine Legislature  
Office of Fiscal and Program Review**



**LD 1385**

**An Act to Establish the Pine Tree Development Zones Program**

**LR 2032(02)**

**Fiscal Note for Bill as Amended by Committee Amendment** *A.S. 68*

**Committee: Business, Research and Economic Development**

**Fiscal Note Required: Yes**

**Fiscal Note**

	<b>2003-04</b>	<b>2004-05</b>	<b>Projections 2005-06</b>	<b>Projections 2006-07</b>
<b>Net Cost (Savings)</b>				
General Fund	\$165,549	\$466,437	\$706,941	\$875,657
<b>Revenue</b>				
General Fund	(\$165,549)	(\$466,437)	(\$706,941)	(\$875,657)
Other Special Revenue Funds	(\$8,897)	(\$25,067)	(\$38,777)	(\$48,032)

**Fiscal Detail and Notes**

The table below summarizes the net General Fund revenue impact of the bill based on the assumption that approximately \$150,000,000 of investment over 4 years within the 8 Pine Tree Development Zones would be within baseline economic assumptions.

	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Sales Tax Exemption for Construction Contractors	(160,144)	(409,256)	(474,000)	(474,000)
Sales Tax Exemption for Tangible Personal Property	(2,684)	(9,545)	(17,480)	(25,425)
Pine Tree Development Zone Income Tax Credit	(2,721)	(25,396)	(59,800)	(96,042)
Employment Tax Increment Financing	0	(22,240)	(155,661)	(280,190)
	(165,549)	(466,437)	(706,941)	(875,657)

Maine Revenue Services will incur additional one-time costs of approximately \$24,000 as a result of this bill. This bill does not include a General Fund appropriation for that purpose.