

# MAINE STATE LEGISLATURE

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L.D. 977

Date: 6/17/19

(Filing No. H-621)

TAXATION

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
129TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 732, L.D. 977, Bill, "An Act To Restore the Super Credit for Substantially Increased Research and Development"

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 5 MRSA §13070-J, sub-§2-A, ¶B, as enacted by PL 2017, c. 264, §10, is amended to read:

B. To assist the department in preparing the comprehensive evaluation of state investments in economic development pursuant to section 13070-P, subsection 1 and to facilitate the evaluation of tax expenditures under Title 3, chapter 37, a recipient of state funding for research and development activities or economic development incentives, including General Fund appropriations, dedicated revenue, tax expenditures as defined in section 1666 and general obligation bond proceeds for economic development, shall, in addition to any other reporting requirements required by law, collect, maintain and provide data as requested by the department, including, but not limited to:

- (1) The amount received by the recipient in the preceding year from each economic development incentive;
- (2) The total amount received by the recipient from all economic development incentives and economic development programs;
- (3) The number, type and wage levels of jobs created or retained in each county by the recipient as a result of each economic development incentive;
- (4) Current employment levels for the recipient for all operations within the State;
- (5) Any changes in the recipient's employment levels in the State that have occurred over the preceding year;
- (6) Investments made in the State by the recipient over the preceding year; and

COMMITTEE AMENDMENT

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1                   (7) Intellectual property that has been secured by the recipient, including, but not  
2                   limited to, patents, trade secrets, copyrights, trademarks or other intellectual  
3                   property as defined by the department by rule.

4                   The department shall provide information obtained under this paragraph by January  
5                   15th annually to the Office of Program Evaluation and Government Accountability  
6                   for the purposes of evaluation of tax expenditures under Title 3, chapter 37 and, to the  
7                   extent permitted under confidentiality requirements, to the joint standing committee  
8                   of the Legislature having jurisdiction over taxation matters.

9                   **Sec. 2. 36 MRSA §5219-L, sub-§1**, as amended by PL 2013, c. 502, Pt. J, §1 and  
10                   affected by §3, is further amended to read:

11                   **1. Super credit allowed for substantial expansions of research and development.**  
12                   For tax years beginning before January 1, 2014, a taxpayer that qualifies for the research  
13                   expense tax credit allowed under section 5219-K is allowed an additional credit against  
14                   the tax due under this Part equal to the excess, if any, of qualified research expenses for  
15                   the taxable year over the super credit base amount. For purposes of this ~~section~~  
16                   subsection, "super credit base amount" means the average amount spent on qualified  
17                   research expenses by the taxpayer in the 3 taxable years immediately preceding ~~the~~  
18                   effective date of this section June 12, 1997, increased by 50%. For purposes of this  
19                   section, "qualified research expenses" has the same meaning as under the Code, Section  
20                   41 but applies only to expenditures for research conducted in this State.

21                   **Sec. 3. 36 MRSA §5219-L, sub-§1-A** is enacted to read:

22                   **1-A. Super credit allowed for tax years beginning on or after January 1, 2019.**  
23                   For tax years beginning on or after January 1, 2019, a taxpayer that qualifies for the  
24                   research expense tax credit allowed under section 5219-K is allowed an additional credit  
25                   against the tax due under this Part equal to the excess, if any, of qualified research  
26                   expenses for the taxable year over the super credit base amount. For purposes of this  
27                   subsection, "super credit base amount" means the greater of:

28                   A. The average annual amount spent on qualified research expenses by the taxpayer  
29                   in the 3 taxable years immediately preceding the tax year for which the credit is  
30                   generated; and

31                   B. The average annual amount spent on qualified research expenses by the taxpayer  
32                   in the 3 taxable years immediately preceding October 1, 2019.

33                   For purposes of this subsection, "qualified research expenses" has the same meaning as  
34                   under the Code, Section 41 but applies only to expenditures for research conducted in this  
35                   State.

36                   **Sec. 4. 36 MRSA §5219-L, sub-§2**, as enacted by PL 1997, c. 557, Pt. B, §10  
37                   and affected by §14 and Pt. G, §1, is amended to read:

38                   **2. Amount of super credit allowed.** The credit allowed under this section is limited  
39                   to 50% of the taxpayer's tax due after the allowance of any other credits taken pursuant to  
40                   this chapter except that, for tax years beginning on or after January 1, 2019, the credit  
41                   allowed under this section is limited to 25% of the taxpayer's tax due after the allowance  
42                   of any other credits taken pursuant to this chapter.

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Sec. 5. 36 MRSA §5219-L, sub-§6 is enacted to read:

6. Evaluation; specific public policy objectives; performance measures. The credit provided under this section is subject to ongoing legislative review in accordance with Title 3, chapter 37. In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability shall consider:

A. That the specific public policy objectives of the credit provided under this section are:

(1) To create high-quality jobs in the State by encouraging investments in research and development in this State and to encourage the recruitment and training of employees; and

(2) To directly and indirectly improve the overall economy of the State by expanding the number of businesses conducting and investing in research and development in the State; and

B. Performance measures, including, but not limited to:

(1) The number, geographic distribution and income of full-time employees added or retained during the period being reviewed who would not have been added or retained in the absence of the credit;

(2) The number and amount of investments in research and development made by credit recipients during the review period; and

(3) Direct and indirect improvement in the economy of the State attributable to activities entitled to a credit under this section.'

**SUMMARY**

This amendment restores the super credit for substantially increased research and development for tax years beginning on or after January 1, 2019. The amendment also provides reporting and evaluation requirements to permit evaluation of the credit in meeting its intended purposes.

**FISCAL NOTE REQUIRED**

(See attached)



# 129th MAINE LEGISLATURE

LD 977

LR 422(02)

## An Act To Restore the Super Credit for Substantially Increased Research and Development

Fiscal Note for Bill as Amended by Committee Amendment *A (H-621)*  
 Committee: Taxation  
 Fiscal Note Required: Yes

### Fiscal Note

	FY 2019-20	FY 2020-21	Projections FY 2021-22	Projections FY 2022-23
<b>Net Cost (Savings)</b>				
General Fund	\$836,000	\$893,000	\$1,016,500	\$1,111,500
<b>Revenue</b>				
General Fund	(\$836,000)	(\$893,000)	(\$1,016,500)	(\$1,111,500)
Other Special Revenue Funds	(\$44,000)	(\$47,000)	(\$53,500)	(\$58,500)

#### Fiscal Detail and Notes

The bill restores the super credit for research and development expenses and would result in a reduction in General Fund revenue of \$836,000 in fiscal year 2019-20 and \$893,000 in fiscal year 2020-21. It would also result in a reduction in Local Government Fund revenue of \$44,000 in fiscal year 2019-20 and \$47,000 in fiscal year 2020-21.

Additional costs to the Department of Economic and Community Development to provide the required information to the Office of Program Evaluation and Government Accountability can be absorbed within existing budgeted resources.