

MAINE STATE LEGISLATURE

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L.D. 1276

Date: 5/9/24

(Filing No. S-750)

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STATE OF MAINE
SENATE
131ST LEGISLATURE
SECOND REGULAR SESSION

SENATE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 513, L.D. 1276, "An Act to Create and Sustain Jobs and Affordable Housing Through the Development of Cooperatives and Employee-owned Businesses"

Amend the amendment by striking out everything after the title and inserting the following:

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

'Sec. 1. 5 MRSA §13062, 2nd ¶, as enacted by PL 1987, c. 534, Pt. A, §§17 and 19, is amended to read:

The Office of Business Development shall be is responsible for the implementation of a program consisting of 3 4 primary elements.

Sec. 2. 5 MRSA §13062, sub-§4 is enacted to read:

4. Encouragement of employee ownership of businesses; Maine Employee Ownership Center. Within available federal funds, the office may contract with a nonprofit economic development organization with relevant expertise to develop and manage the Maine Employee Ownership Center. The Maine Employment Ownership Center shall:

A. Develop educational programs, including convening an annual conference on employee ownership issues;

B. Provide information about employee ownership and technical assistance to retiring business owners, employees of plants threatened with closure and entrepreneurs interested in creating businesses with broadly shared ownership;

C. Link businesses in the State interested in implementing employee ownership to available financial, technical and legal resources;

D. Assist businesses and employee groups in performing preliminary feasibility studies to determine the initial feasibility of employee ownership and whether the business and employee group should perform a full feasibility study;

E. Help businesses interested in implementing some form of employee ownership obtain financing;

- 1 F. Promote best practices for operating employee-owned businesses;
- 2 G. Recommend legislative or executive action to promote employee ownership; and
- 3 H. Work with the Office of Program Evaluation and Government Accountability to
- 4 define the scope of data collection and to collect data and other information to facilitate
- 5 tax expenditure review under Title 3, chapter 37, including, but not limited to:
- 6 (1) The number of businesses that have converted to employee or cooperative
- 7 ownership;
- 8 (2) The number of full-time equivalent jobs retained as a result of conversion to
- 9 employee or cooperative ownership;
- 10 (3) The number of housing units converted to cooperative ownership; and
- 11 (4) Data and information regarding other measures of the fiscal impact and overall
- 12 economic development in the State that occurred as the result of conversion to
- 13 employee or cooperative ownership.

14 **Sec. 3. 36 MRSA §5122, sub-§2, ¶AAA is enacted to read:**

15 AAA. For taxable years beginning on or after January 1, 2024, to the extent included
 16 in federal adjusted gross income and to the extent otherwise subject to state income
 17 tax, an amount equal to any gain recognized on the sale by the taxpayer of an ownership
 18 interest greater than 50% in a qualified business if the business provides housing and
 19 was transferred to a consumer cooperative organized under Title 13, chapter 85,
 20 subchapter 1 or a cooperative affordable housing cooperation organized under Title 13,
 21 chapter 85, subchapter 1-A.

- 22 (1) The deduction allowed pursuant to this paragraph may not exceed \$750,000.
- 23 (2) For purposes of this paragraph, "qualified business" means a business whose
 24 securities are not publicly traded on any stock exchange and that is registered with
 25 the Secretary of State or whose principal place of business is within the State,
 26 including a corporation, an S corporation, a limited liability company, a limited
 27 liability partnership, a sole proprietorship and all entities that are not publicly
 28 traded and are related by common majority ownership or control.

29 **Sec. 4. 36 MRSA §5200-A, sub-§2, ¶JJ is enacted to read:**

30 JJ. For taxable years beginning on or after January 1, 2024, to the extent included in
 31 federal taxable income and to the extent otherwise subject to state income tax, an
 32 amount equal to any gain recognized on the sale by the taxpayer of an ownership
 33 interest greater than 50% in a qualified business if the business provides housing and
 34 was transferred to a consumer cooperative organized under Title 13, chapter 85,
 35 subchapter 1 or a cooperative affordable housing corporation organized under Title 13,
 36 chapter 85, subchapter 1-A.

- 37 (1) The deduction allowed pursuant to this paragraph may not exceed \$750,000.
- 38 (2) For purposes of this paragraph, "qualified business" means a business whose
 39 securities are not publicly traded on any stock exchange and that is registered with
 40 the Secretary of State or whose principal place of business is within the State,
 41 including a corporation, an S corporation, a limited liability company, a limited

1 liability partnership, a sole proprietorship and all entities that are not publicly
 2 traded and are related by common majority ownership or control.

3 **Sec. 5. Evaluation; specific public policy objective; performance measures.**

4 The deductions provided under this Act are subject to ongoing legislative review in
 5 accordance with the Maine Revised Statutes, Title 3, chapter 37. The Office of Program
 6 Evaluation and Government Accountability shall include review of deductions provided
 7 under this Act in its regular schedule of tax expenditure reviews. In developing evaluation
 8 parameters to perform the evaluation, the Office of Program Evaluation and Government
 9 Accountability, the Government Oversight Committee and the joint standing committee of
 10 the Legislature having jurisdiction over taxation matters shall consider:

11 **1. Policy objective.** That the specific public policy objective of the deductions
 12 provided under this Act is to preserve and expand units of affordable housing in
 13 manufactured housing parks and apartment buildings; and

- 14 **2. Performance measures.** Performance measures, including, but not limited to:
- 15 A. The number of qualifying businesses that have converted to employee or
 - 16 cooperative ownership if the Maine Employee Ownership Center is established;
 - 17 B. The number of full-time equivalent jobs retained and units of affordable housing
 - 18 created or retained if the Maine Employee Ownership Center is established;
 - 19 C. The number of housing units converted to cooperative housing; and
 - 20 D. Measures of fiscal impact and overall economic impact to the State.

21 **Sec. 6. Appropriations and allocations.** The following appropriations and
 22 allocations are made.

23 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
 24 **Revenue Services, Bureau of 0002**

25 Initiative: Provides one-time funding for computer programming costs to modify tax
 26 returns to incorporate new income tax exemptions.

27 GENERAL FUND	2023-24	2024-25
28 All Other	\$0	\$33,000
29		
30 GENERAL FUND TOTAL	\$0	\$33,000

31

32 **ADMINISTRATIVE AND FINANCIAL**
 33 **SERVICES, DEPARTMENT OF**
 34 **DEPARTMENT TOTALS**

35		
36 GENERAL FUND	\$0	\$33,000
37		
38 DEPARTMENT TOTAL - ALL FUNDS	\$0	\$33,000

39 **ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF**
 40 **Business Development 0585**

SENATE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 513, L.D. 1276 (S-750)

1 Initiative: Provides base allocations to authorize expenditures in the event federal funds are
 2 received to contract with a nonprofit economic development organization with relevant
 3 expertise to develop and manage the Maine Employee Ownership Center.

4	FEDERAL EXPENDITURES FUND	2023-24	2024-25
5	All Other	\$0	\$500
6			
7	FEDERAL EXPENDITURES FUND TOTAL	<u>\$0</u>	<u>\$500</u>

8

9 **ECONOMIC AND COMMUNITY**
 10 **DEVELOPMENT, DEPARTMENT OF**
 11 **DEPARTMENT TOTALS**

12		2023-24	2024-25
13	FEDERAL EXPENDITURES FUND	\$0	\$500
14			
15	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$500</u>

16

17 **SECTION TOTALS**

18		2023-24	2024-25
19	GENERAL FUND	\$0	\$33,000
20	FEDERAL EXPENDITURES FUND	\$0	\$500
21			
22	SECTION TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$33,500</u>

23 "

24 Amend the amendment by relettering or renumbering any nonconsecutive Part letter or
 25 section number to read consecutively.

26 **SUMMARY**

27 This amendment does the following to support employee-owned businesses and
 28 cooperatives.

29 1. It excludes from State income tax the amount of gain, up to a maximum of \$750,000,
 30 recognized by a business owner in transferring the business to an affordable housing
 31 cooperative.

32 2. It allows the Department of Economic and Community Development, Office of
 33 Business Development to use available federal funds to contract with a nonprofit
 34 development organization with relevant expertise to develop and manage the Maine
 35 Employee Ownership Center to provide information and programs to assist businesses in
 36 the transition to employee or cooperative ownership.

37 3. It specifies performance measures that the Office of Program Evaluation and
 38 Government Accountability, the Government Oversight Committee and the joint standing
 39 committee of the Legislature having jurisdiction over taxation matters must consider in

SENATE AMENDMENT

ROS

SENATE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 513, L.D. 1276 (S-750)

1 developing evaluation parameters to perform the review of the deductions provided under
2 the amendment as required by the Maine Revised Statutes, Title 3, chapter 37.

3 SPONSORED BY: M. Rotundo

4 (Senator ROTUNDO, M.)

5 COUNTY: Androscoggin

FISCAL NOTE REQUIRED
(See attached)

SENATE AMENDMENT



131st MAINE LEGISLATURE

LD 1276

LR 1824(04)

An Act to Create and Sustain Jobs and Affordable Housing Through the Development of Cooperatives and Employee-owned Businesses

Fiscal Note for Senate Amendment "A" to Committee Amendment "A" (S-750)

Sponsor: Sen. Rotundo of Androscoggin

Fiscal Note Required: Yes

Fiscal Note

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
Net Cost (Savings)				
General Fund	\$0	(\$432,000)	(\$413,250)	(\$427,500)
Appropriations/Allocations				
General Fund	\$0	(\$33,000)	\$0	\$0
Federal Expenditures Fund	(\$500)	\$0	\$0	\$0
Revenue				
General Fund	\$0	\$399,000	\$413,250	\$427,500
Other Special Revenue Funds	\$0	\$21,000	\$21,750	\$22,500

Fiscal Detail and Notes

This amendment reduces the ongoing revenue loss in the bill by limiting the application of the tax deduction to businesses that provide housing. Relative to the committee amendment, the General Fund revenue loss is reduced by \$399,000 to \$47,500 and the Local Government Fund Revenue loss is reduced by \$21,000 to \$2,500 in fiscal year 2024-25. The amendment also reduces the one-time General Fund appropriation to the Department of Administrative and Financial Services, Bureau of Revenue Services for implementation costs by \$33,000 in fiscal year 2024-25. The Federal Expenditures Fund allocation of \$500 is removed from fiscal year 2023-24 but remains in subsequent years.