

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE
ONE HUNDRED AND THIRTEENTH LEGISLATURE

FIRST SPECIAL SESSION

October 9, 1987 to October 10, 1987

SECOND SPECIAL SESSION

October 21, 1987 to November 20, 1987

and the

SECOND REGULAR SESSION

January 6, 1988 to May 5, 1988

PUBLISHED BY THE REVISOR OF STATUTES
IN ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 163-A, SUBSECTION 4.

Twin City Printery
Lewiston, Maine
1988

PUBLIC LAWS

OF THE

STATE OF MAINE

AS PASSED AT THE
FIRST AND SECOND SPECIAL SESSIONS
and
SECOND REGULAR SESSION
of the
ONE HUNDRED AND THIRTEENTH LEGISLATURE
1987

Sec. 3. 36 MRSA §581, last paragraph, as enacted by PL 1981, c. 517, §12, is amended to read:

Any municipality which receives a penalty for the withdrawal of land from taxation under this chapter shall report to the State Tax Assessor annually the total amount received on the municipal valuation return form described in section 383. For tax years beginning on or after April 1, 1987, 40% of the amount thus collected shall be sent to the State Tax Assessor within 7 days of collection. For tax years beginning on or after April 1, 1988, 65% of the amount thus collected shall be sent to the State Tax Assessor within 7 days of collection. For tax years beginning on or after April 1, 1989, 90% of the total amount thus collected shall be sent to the State Tax Assessor within 7 days of collection. The State Tax Assessor shall use these funds to reduce the amount of General Fund appropriations provided for Tree Growth Reimbursement.

Sec. 4. **Appropriation.** The following funds are appropriated from the General Fund to carry out the purposes of this Act.

	1988-89
<u>FINANCE, DEPARTMENT OF</u>	
Bureau of Taxation	
Tree Growth Tax Reimbursement	
All Other	\$300,000
Effective August 4, 1988.	

CHAPTER 853

H.P. 1422 — L.D. 1933

AN ACT Relating to Geographic Isolation Grants.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §15612, first ¶, as amended by PL 1985, c. 797, §60, is further amended to read:

Adjustments to the state share of the foundation allocation shall be made as allowed in subsections 1 to 4 for each school administrative unit that has raised the maximum regardless of the amount of raised for its local share of the foundation allocation for operating costs.

Sec. 2. **Effective date.** This Act shall take effect on July 1, 1989.

Effective July 1, 1989.

CHAPTER 854

H.P. 1730 — L.D. 2373

AN ACT Establishing the Maine Seed Capital Tax Credit Program.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 10 MRSA c. 109, as amended, is repealed.

Sec. 2. 10 MRSA c. 110, sub-c. IX is enacted to read:

SUBCHAPTER IX

MAINE SEED CAPITAL TAX CREDIT PROGRAM

§1100-T. Tax credit certificates

1. **Legislative findings; authorization.** The Legislature finds that the growth of new small businesses in the State results in increased job opportunities for Maine residents, produces more spending in the State and increases municipal tax bases. Businesses which export their products or services out of the State bring capital into the State and help to develop export markets for Maine products. Small new businesses can provide significant economic benefits to the State provided that they can obtain sufficient seed equity financing to carry them from start-up through the initial development phases of a business. In order to encourage the increased availability of risk equity capital to these early-growth stage enterprises, the authority is authorized to issue certificates of eligibility for the seed capital investment tax credit permitted by Title 36, section 5216-B, subject to the requirements of this section. This program shall be known as the Maine Seed Capital Tax Credit Program.

2. **Eligibility for tax credit certificate.** The authority shall adopt rules in accordance with the Maine Administrative Procedure Act, Title 5, chapter 375, to implement the program. Without limitation, the requirements for eligibility for a tax credit certificate includes the following.

A. A tax credit certificate may be issued in an amount not more than 30% of the amount of cash actually invested in a Maine business in any calendar year.

B. The Maine business must provide a product or service which is sold or rendered, or is projected to be sold or rendered, predominantly outside of the State, as determined by the authority. Businesses which bring products into the State and then sell the same products outside the State are not eligible. Construction, transportation, financial services, insurance and real estate businesses are not eligible. Other service businesses are eligible provided that the customers are predominantly out of the State and the employment functions are carried out predominantly in the State.

C. Aggregate investment eligible for tax credits shall not be less than \$25,000 nor more than \$250,000 for any one business as of the date of issuance of a tax credit certificate.

D. The investment with respect to which any individual is applying for a tax credit certificate shall be not less than \$10,000 nor more than an aggregate of \$50,000 in any one business, provided that this paragraph shall not be interpreted to limit other investment by any applicant for which that applicant is not applying for a tax credit certificate.

E. The business receiving the investment must have annual revenues of \$200,000 or less and the operation of the business must be the full-time professional activity of the principal owner, as determined by the authority. The principal owner and the principal owner's spouse, parents, brothers, sisters and children may not be eligible for a credit for investment in that business. Businesses in which the principal owners are not one or more individuals shall not be eligible.

F. The investment must be expended on plant, equipment, research and development, or working capital for the business or such other business activity as may be approved by the authority.

G. The authority shall establish limits on repayment of the investment, requiring at a minimum that the investment remain in the business for at least 5 years with no current income to the investor during the 5-year period. The investment must be at risk in the business.

H. The investors qualifying for the credit must collectively own less than 1/2 of the business.

3. Priority. The authority shall reserve \$500,000 in tax credit authorization for "natural resource enterprises," as defined in section 963-A, subsection 41, and shall reserve an additional \$500,000 in tax credit authorization for eligible investments in businesses located in job opportunity zones designated pursuant to Title 5, chapter 403, or in contiguous communities designated by the Commissioner of Economic and Community Development, as being entitled to zone benefits due to special circumstances.

4. Total of credits authorized. The authority may issue tax credit certificates in the aggregate credit amount of \$700,000 in the fiscal year ending June 30, 1989, \$650,000 in the fiscal year ending June 30, 1990, and \$650,000 in the fiscal year ending June 30, 1991, for a total aggregate of \$2,000,000 in tax credit certificates, provided that any authorized credit for which certificates have not been issued in the year authorized may be carried forward to subsequent years until an aggregate of \$2,000,000 in certificates has been issued.

5. Revocation of tax credit certificate. The authority may revoke a tax credit certificate if any representation to the authority in connection with the application for the certificate proves to have been false when made or if the applicant violates any conditions established by the authority and stated in the tax credit certificate. The revocation may be in full or in part as the

authority may determine. The authority shall specify the amount of credit being revoked and shall send notice of the revocation to the investor and to the State Tax Assessor.

Sec. 3. 36 MRSA §5216-A, as enacted by PL 1985, c. 714, §44, is repealed.

Sec. 4. 36 MRSA §5216-B is enacted to read:
§5216-B. Seed capital investment tax credit

1. Definitions. As used in this section, unless the context indicates otherwise, the following terms have the following meanings.

A. "Certificate" means a tax credit certificate issued by the Finance Authority of Maine pursuant to Title 10, chapter 110, subchapter IX.

B. "Investment" means an investment for which a certificate has been received.

C. "Investor" means a taxpayer who has received a certificate.

2. Credit. An investor shall be entitled to a credit against the tax otherwise due under this Part equal to 30% of the amount of the investment. In the case of partnerships and nontaxable trusts, the individual partners or beneficiaries shall be treated as the investors under this section and shall be allowed a credit against the tax otherwise due from them under this Part in proportion to their respective interests in those partnerships or trusts. Except as limited or authorized by subsection 3 or 4, 50% of the credit shall be taken in the taxable year the investment is made and 50% in the next taxable year.

3. Limitation. The amount of the credit allowed under this section for any one taxable year shall not exceed 50% of the tax imposed by this Part on the investor for the taxable year before application of the credit.

4. Carry forward. Credits not taken because of the limitation in subsection 3 shall be taken in the next taxable year in which the credit may be taken, provided that the limitation of subsection 3 shall also apply to the carry-forward years. In no case may this carry-forward period exceed 15 years.

5. Recapture. In the event that the Finance Authority of Maine revokes a certificate, there shall be added to the tax imposed on the investor under this Part for the taxable year in which the revocation occurs an amount equal to the excess of the amount of credit revoked over the amount of credit not yet taken.

Sec. 5. Effective date. This bill shall be effective for tax years beginning on or after January 1, 1988.

Effective January 1, 1988.