

## OFFICE OF FISCAL AND PROGRAM REVIEW

Date: May 3, 2013  
To: Members, Joint Standing Committee on Taxation  
From: Elizabeth Cooper, Legislative Analyst

### **LD 743, An Act To Extend and Improve the Maine Seed Capital Tax Credit Program**

**Summary:** This bill extends the Maine Seed Capital Tax Credit Program, which is approaching the statutory cap on credits that can be authorized, and makes a number of improvements and clarifications. The bill makes the amount of the tax credit the same for individual investors and venture capital funds, clarifies that producers of value-added natural resource products are eligible, removes the ambiguous eligibility for businesses that "bring capital into the State" and specifies that eligible businesses must certify that the investment is necessary to allow the business to create or retain jobs in the State. The bill increases the maximum annual sales limit of \$3,000,000, which has been in effect since 1997, to \$5,000,000 for investments made in 2014 or after. The bill authorizes additional tax credits of \$2,000,000 for investments made between June 1, 2013 and December 31, 2013, \$4,000,000 for investments made in calendar year 2014 and \$5,000,000 each year for investments made in each subsequent year. An investor in a venture capital fund requesting a refundable tax credit may not file for a refund until the calendar year after the calendar year in which the investment is made.

#### **Public Hearing:**

##### Proponents

- The sponsor presented the bill and provided written testimony.
- Those testifying in support of the bill included many investors and business owners as well as representatives from the Finance Authority of Maine and the Department of Economic and Community Development.
- A copy of the sign-in sheet is attached to this memorandum. Testimony from the public hearing can be found at: <http://www.mainelegislature.org/legis/bills/testimony.html>.

Opposed - none.

NFNA - none.

**Technical Issues:** Should the Committee choose to move forward with this bill, there are several technical /drafting issues that should be addressed including conflicting language and the need to define certain terms; see Maine Revenue Services memo dated April 19, 2013. See comments from Finance Authority of Maine.

**Additional Information:** See attachments regarding reporting requirements. Maine Revenue Services includes information on the program in the Economic Development Incentive report, which can be found on-line at: [http://www.maine.gov/revenue/research/edic\\_rep12.pdf](http://www.maine.gov/revenue/research/edic_rep12.pdf)

**Fiscal Information:** The preliminary fiscal impact statement is attached and can be found online at: [www.mainelegislature.org/LawMakerWeb/search.asp](http://www.mainelegislature.org/LawMakerWeb/search.asp).

Title 10: COMMERCE AND TRADE  
Part 2: BUILDING AND DEVELOPMENT  
Chapter 110: FINANCE AUTHORITY OF MAINE  
Subchapter 9: MAINE SEED CAPITAL TAX CREDIT PROGRAM  
§1100-T. Tax credit certificates

**6. Reports.** Any business eligible to have investors receive a tax credit under this section must report to the authority, in a manner to be determined by the authority, the following information regarding its activities in the State over the calendar year in which the investment occurred and for such additional years as may be required by the authority:

- A. The total amount of private investment received;
- B. The total number of persons employed as of December 31st;
- C. The total numbers of jobs created and retained;
- D. Total annual payroll; and
- E. Total sales revenue.

The authority shall report annually to the joint standing committee of the Legislature having jurisdiction over taxation matters on the activity under this section during the prior calendar year.