

WS 2/24/22

TAXATION COMMITTEE

2/23/2022 2:54 PM

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**130th LEGISLATURE
SECOND REGULAR SESSION**

LD	LR	PH	WS	SPONSOR	TITLE	SUMMARY (Summaries may not reflect content of most recent committee action)	COMM ACTION	FISCAL IMPACT ¹	
								FY22	FY23
308	849	3/24	4/1	Stewart	An Act To Promote Research and Development in the State by Increasing and Marketing the Research Expense Tax Credit	<p><u>CURRENT LAW:</u> The Research expense tax credit is based on the federal research credit. The credit is equal to 5% of the excess of “qualified research expense” for the TY over the average spent in the previous 3 years plus 7.5% of the “basic research” payments made during the TY. Credit is limited to research expenses incurred in Maine. Credit is limited to \$25,000</p> <p>This bill <u>increases the research expense tax credit</u> by:</p> <ol style="list-style-type: none"> <u>doubling the expenditures eligible</u> for the credit from 5% to 10% for expenditures over the federal base amount and from 7.5% to 15% of the federal basic research payments base amount and <u>doubling the maximum</u> amount of the <u>credit</u> that may be claimed from \$25,000 to \$50,000. <p>The bill also <u>provides ongoing funds</u> of \$100,000 per year beginning in fiscal year 2021-22 <u>to DECD to advertise and market</u> the research expense tax <u>credit</u>.</p> <p><u>DECD requests that funding be allowed to market other credits.</u></p> <p>4/20/21 OPEGA starting TER evaluation will not be available during 1st Regular session.</p>	carryover	<p>MRS estimate of fiscal impact of bill not received in 2021</p> <p><u>MRS estimate of cost of current credit (per 2021 Red Book):</u> FY 22 \$1,650,000 FY 23 \$2,180,000 Claimants: 175</p>	
			2/11/22	2/24/22	SECOND REGULAR SESSION	OPEGA is finalizing its evaluation report on research expense credit which is scheduled for presentation to GOC on 3/11.			

¹ . Numbers may represent preliminary estimates and are subject to change. For more detail, please see fiscal note documents in LD file.

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						Needs application date. Appropriations needs to delete FY 22. 2/11 DECD asked for \$\$\$ to be able to be used to market all credits, not just research expense credit.			
1156	1378	4/13	4/27	Arata	An Act To Reduce Errors in Employment Tax Increment Financing Benefits	<p>CURRENT LAW: ETIF benefits to employers are in the form of percentage of wages withheld for IT purposes based on unemployment level in area where qualified employee is employed.</p> <p>LD 1156: This bill makes changes to the ETIF program for calendar years beginning with 2022 <u>by basing benefits on the gross wages of qualified employees rather than on income tax withholding for those employees.</u></p> <p>The bill directs the DECD and the State Tax Assessor to take actions, including the <u>adoption of routine technical rules, to implement the change.</u></p> <p>DECD recommends holding any changes until next year. DECD evaluation of Pine Tree Zone Program and ETIF currently under way.</p>			
			2/11/22 2/24/22		SECOND REGULAR SESSION	Will need timing adjustment because of carryover year delay. 2/11 Not discussed.			

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1195	800	4/7	4/22	Roberts	An Act To Increase Funding to Qualifying Municipalities by Sharing Adult Use Marijuana Sales and Excise Tax Revenue	<p>1. <u>Establishes fund</u> to share sales tax and excise tax on adult use marijuana with municipalities</p> <p>2. <u>Transfers 5% of ST revenue and excise tax revenue (less administrative costs) on adult use marijuana to fund.</u></p> <p>3. <u>Distributes fund to municipalities in proportion to the ratio of the marijuana revenue generated in the municipality</u> to the total revenue generated by adult use marijuana establishments statewide.</p> <p>2021 Divided report 7 OTPA/6 ONTP</p> <p>House: ONTP Senate: OTPA – Amendment was fiscal note only</p> <p><u>RECOMMITTED TO TAX</u></p>	OTPA fno/ ONTP	<p>2021 FN</p> <p><u>Distribution to municipalities:</u></p> <p>FY 22 \$970,000 FY 23 \$1,765,000</p>	
			2/15/22 2/24/22		SECOND REGULAR SESSION	2/15/22 Not taken up			
1890	2393			Perry	<p>An Act To Create a Rental Fleet Registration Program and Equalize the Tax Rate Imposed on Rental Vehicles</p> <p>1/5/22 REFERRED to TRA 1/25/22 PH held in TRA TRA reports out to re-refer to TAX</p> <p>1/26 HOUSE: Referred from TRA to TAX 2/10 SENATE: Rereferred to TAX 2</p>	<p>Part A of this bill establishes a registration program for rental fleet vehicles that includes:</p> <ol style="list-style-type: none"> 1. A common registration renewal month; 2. A unique owner registration number; 3. Required annual renewal; 4. The issuance of certificates of registration; 5. Distinctive license plates; 6. A temporary 3-year exemption from inspection requirements; and 7. The ability to transfer and remove rental fleet vehicles. <p>Part A also specifies that participation in the rental fleet vehicle registration program has no effect on the requirements of the International Registration Plan.</p> <p>Part B of the bill addresses the treatment under the sales and use tax of vehicles owned by a rental car company..</p> <p><u>Current law</u> requires that a rental car company that purchases a truck for rental pays sales tax on the</p>			

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						<p>purchase of that truck but no sales tax is imposed on the charge for renting the truck to a consumer.</p> <p>Part B makes such a purchase by car rental company exempt from the sales tax and makes the rental subject to the rate of a taxable service. Part B also makes technical corrections to the tax law regarding trucks.</p>			
1919	2271	2/1	2/11	Evans	An Act To Encourage Job Growth in the Forest Products Sector through Tax Incentives	<p>CURRENT LAW: In order to be eligible for ETIF benefits, an employer must add 5 or more full time new qualified employees within a 2-year period.</p> <p>Qualified business receive reimbursement for wage withholding based on labor market unemployment rate. (30%/50%/75%) and 80% if in PTDZ.</p> <p>LD 1919: This bill amends the Maine Employment Tax Increment Financing Act to allow employers engaged in the forest products business, which includes timber harvesting and the processing of trees as a renewable resource for wood or biomass, if they add one or more qualified employees within a one-year period, and to be eligible for reimbursement of certain training and other costs.</p> <p>This bill allows a <u>qualified forest products business</u> that adds <u>at least one new employee</u> who works a minimum of 900 hours in a calendar year to be eligible for reimbursement for:</p> <ol style="list-style-type: none"> 1. Up to 160 hours of the <u>labor costs</u> for both the new employee and the person training that employee; 2. The <u>cost of training and equipment</u>, other than the cost of labor, necessary to train that new employee; and 3. A <u>percentage of Maine income tax withheld</u> for a new employee in the first 3 years of employment as follows: <ul style="list-style-type: none"> A. For the first calendar year of employment, 80%; B. For the 2nd calendar year of employment, 70%; and C. For the 3rd calendar year of employment, 60%. <p>If a new employee does not work at least 900 hours in the first calendar year of employment, the partial first year of employment and the calendar year following that employee's start is considered the first year of</p>	Tabled		

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						<p>employment for purposes of determining the percentage of reimbursement as long as that employee meets the requirements during the first full year of employment. Additionally, the costs of training incurred by the employer and the amount equal to the tax withheld for that new employee during that partial calendar year of employment may be claimed by the employer in the calendar year following the employee's start, as long as that employee meets all the requirements for qualification, including working at least 900 hours.</p> <p><u>Sponsor proposed amendment 2/11</u></p> <ol style="list-style-type: none"> 1. removing provisions from ETIF and making it a "stand alone" provision. 2. Change threshold from "one new employee" to "3 new employees" 3. Remove requirement of employment for 900 hours and replace with "<u>meets the eligibility conditions specified in the Maine Employment Security Law</u>" <p><u>MRS indicates language submitted by sponsor is not administrable and will need significant work.</u></p>			

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