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An Act To Encourage Job Growth in the Forest Products Sector through Tax Incentives

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

Sec. 1. 36 MRSA §5219, sub-§AAA is enacted to read:

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

A. Qualified applicant. "Qualified applicant" means that, at the time of application for a certificate of approval is submitted, the applicant must be a for-profit timber harvesting, timber hauling and/or forest road construction business that satisfies the following criteria:

- I. Timber harvesting, as defined in 12 MRSA, §8868, sub-§4 and also has a North American Industry Classification System (NAICS) code of 113310;
- II. Delivers raw materials to a wood products facility and has a NAICS code of either 484220 and/or 484230;
- III. Other timber harvesting support activities such as the construction and maintenance of roads used primarily for timber harvesting and other activities conducted to facilitate timber harvesting, including, but not limited to, the mining of gravel used for the construction and maintenance of roads used primarily for timber harvesting and other activities conducted to facilitate timber harvesting.

B. the applicant must make a qualified business investment.

C. the applicant must add two or more qualified employees above its base level of employment in this State within a one-year period commencing on or after January 1, 2023. The base level of employment is determined by reviewing the average of the previous calendar year of employment or the previous three calendar years of employment, whichever is greater.

D. The applicant's headquarters are or will be in the state of Maine as outlined in Procedures for application; certificate of approval process in Sec. 1. 36 MRSA §5219, sub-§AAA, 2.

E. "Qualified employee" means a new, full-time employee that:

- (1) Works at least 900 hours in a calendar year
- (2) Is hired in this State by a qualified applicant
- (3) Is covered by the Employment Security Law

(4) Is provided a retirement program subject to the Employee Retirement Income Security Act of 1974, 29 United States Code, Chapter 18 and group health insurance; and

(5) Derives income from employment with the applicant that, calculated on a calendar year basis, is greater than the most recent annual per capita personal income in the county in which the qualified employee is employed, as long as Maine income tax withholding attributed to the qualified employee is subject to reimbursement to the qualified business under this chapter.

"Qualified employee" does not include an employee:

(1) That is shifted to a qualified applicant from an affiliated business. The commissioner shall determine whether a shifting of employees has occurred.

(2) For whom the applicant claims reimbursement of Maine income tax through the Maine Employment Tax Increment Financing Program established in chapter 917.

F. "Qualified investment" means expenditures of at least \$200,000 in the year of application in a piece of equipment that will be used by qualified employees. The equipment must be used for harvesting, processing or hauling raw forest products or for forest road construction and maintenance.

2. Procedures for application; certificate of approval. This subsection governs the procedures for providing for and obtaining a certificate of approval.

A. A qualified applicant may apply to the commissioner for a certificate of approval. An applicant shall submit to the commissioner information demonstrating that the applicant is a qualified applicant. If a certified applicant undertakes to make an additional qualified investment, the certified applicant may apply to the commissioner for an additional certificate of approval.

B. The commissioner, within 30 days of receipt of an application submitted pursuant to paragraph A, shall determine whether the applicant is a qualified applicant and shall issue either a certificate of approval or a written denial indicating why the applicant is not qualified. The certificate issued by the commissioner must describe the qualified investment and specify the total amount of qualified investment approved under the certificate.

C. A certified applicant shall obtain approval from the commissioner prior to the transfer of a certificate of approval or, if the certified applicant has obtained a certificate of completion under paragraph E, that certificate of completion to another person. A certificate of approval or certificate of completion may be transferred only if all or substantially all of the assets of the certified applicant are, or will be, transferred to that person or if 50% or more of the certified applicant's voting stock or analogous noncorporate equity interest is, or will be, acquired by that person.

D. The commissioner shall revoke a certificate of approval if the certified applicant or a person to whom a certificate of approval has been transferred pursuant to paragraph C fails to make a qualified investment within 2 years of the date of the certificate of approval. The commissioner shall revoke a certificate of approval or a certificate of completion under paragraph E if the applicant or

transferee ceases operations in the State or the certificate of approval or certificate of completion is transferred to another person without approval from the commissioner pursuant to paragraph C.

E. Upon making a qualified investment, a certified applicant shall submit an application to the commissioner for a certificate of completion. If the commissioner determines that a qualified investment has been made, the commissioner shall issue a certificate of completion to the certified applicant as soon as is practical. The certificate of completion must state the amount of qualified investment made by the certified applicant.

F. Upon issuance of a certificate of completion in accordance with paragraph E, the commissioner shall issue, on behalf of the State, a memorandum to the qualified applicant describing the incentives provided by this section to the applicant at the time the certificate of completion is issued. The memorandum must provide that the certificate of completion does not prohibit the commissioner from revoking a certificate in accordance with paragraph D.

3. Incentive Program. For a qualified applicant, notwithstanding any provision of this chapter to the contrary, the reimbursement is equal to:

(1) Up to 160 hours of the wages, in the first year of employment, for both the qualified employee and another employee of the qualified business who is training that qualified employee; and

(2) A percentage of the amount of Maine income tax withheld for a qualified employee as follows:

(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%.

For purposes of this paragraph, an employee who meets the definition of "qualified employee" but for the failure to work at least 900 hours in the calendar year of that employee's first year of employment with a qualified business that is a forest products business is deemed to complete that employee's first year of employment on December 31st of the calendar year following the hire of that employee and a qualified employer may obtain reimbursement for the costs incurred pursuant to subparagraphs (1) and (2) and subparagraph (3), division (a) as long as that employee is a qualified employee.

4. Rules. The commissioner shall adopt rules to implement this section, including, but not limited to, rules for determining and certifying eligibility.