



132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

No. 756

S.P. 271

In Senate, February 25, 2025

**An Act Creating and Sustaining Jobs Through the Development of
Cooperatives and Employee-owned Businesses by Providing Tax
Deductions for Certain Qualified Business Activities**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator RENY of Lincoln.
Cosponsored by Representative GEIGER of Rockland and
Senators: CURRY of Waldo, MOORE of Washington, TIPPING of Penobscot,
Representatives: EATON of Deer Isle, HEPLER of Woolwich, STOVER of Boothbay.

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

2 **Sec. 1. 5 MRSA §13062, 2nd ¶**, as enacted by PL 1987, c. 534, Pt. A, §§17 and
3 19, is amended to read:

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

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

7 **4. Encouragement of employee ownership of businesses; Maine Employee**
8 **Ownership Center.** The office shall contract with a nonprofit economic development
9 organization with relevant expertise to develop and manage an office, to be known as the
10 Maine Employee Ownership Center, that shall:

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

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

16 C. Connect Maine businesses interested in implementing employee ownership to
17 available financial, technical and legal resources;

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

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

23 F. Promote best practices for operating employee-owned businesses;

24 G. Recommend legislative or executive action to promote employee ownership; and

25 H. Work with the Office of Program Evaluation and Government Accountability to
26 define the scope of data collection and to collect data and other information to facilitate
27 tax expenditure review under Title 3, chapter 37, including, but not limited to:

28 (1) The number of business ownership conversions to employee or cooperative
29 ownership;

30 (2) The number of full-time equivalent jobs retained as a result of conversions to
31 employee or cooperative ownership; and

32 (3) Data and information regarding other measures of the fiscal impact and overall
33 economic development in the State as the result of conversions to employee or
34 cooperative ownership.

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

36 AAA. For taxable years beginning on or after January 1, 2025, to the extent included
37 in federal adjusted gross income and to the extent otherwise subject to Maine income
38 tax, an amount equal to any gain recognized on the sale by the taxpayer of an ownership
39 interest greater than 50% in a qualified business if the business was transferred to:

40 (1) An employee stock ownership plan as defined in the Code, Section 4975(e)(7);

- 1 (2) An S corporation organized in the State owned by an employee stock
2 ownership plan;
- 3 (3) An eligible worker-owned cooperative as defined in the Code, Section
4 1042(c)(2);
- 5 (4) A consumer cooperative organized under Title 13, chapter 85, subchapter 1;
6 or
- 7 (5) A producer cooperative organized under Title 13, chapter 85, subchapter 2.

8 The deduction allowed pursuant to this paragraph may not exceed \$750,000.

9 For purposes of this paragraph, "qualified business" means a business whose securities
10 are not publicly traded on any stock exchange, including a corporation, an S
11 corporation, a limited liability company, a limited liability partnership, a sole
12 proprietorship and all entities that are not publicly traded and are related by common
13 majority ownership or control, and that is registered with the Secretary of State or
14 whose principal place of business is within the State.

15 **Sec. 4. 36 MRSA §5122, sub-§2, ¶BBB** is enacted to read:

16 BBB. For taxable years beginning on or after January 1, 2025, to the extent included
17 in federal adjusted gross income and to the extent otherwise subject to Maine income
18 tax, an amount equal to the interest received during the taxable year by the taxpayer
19 with respect to a qualified business acquisition loan. For purposes of this paragraph:

20 (1) "Qualified business" means a business whose securities are not publicly traded
21 on any stock exchange, including a corporation, an S corporation, a limited liability
22 company, a limited liability partnership, a sole proprietorship and all entities that
23 are not publicly traded and are related by common majority ownership or control,
24 and that is registered with the Secretary of State or whose principal place of
25 business is within the State; and

26 (2) "Qualified business acquisition loan," including a loan or part of a series of
27 loans, means:

28 (a) A loan of which at least 90% of the proceeds are applied to the acquisition
29 of majority equity ownership of a qualified business not owned by an entity
30 under subdivisions (i) to (v) and that is given to:

31 (i) An employee stock ownership plan as defined in the Code, Section
32 4975(e)(7);

33 (ii) An S corporation organized in the State owned by an employee stock
34 ownership plan;

35 (iii) An eligible worker-owned cooperative as defined in the Code, Section
36 1042(c)(2);

37 (iv) A consumer cooperative organized under Title 13, chapter 85,
38 subchapter 1; or

39 (v) A producer cooperative organized under Title 13, chapter 85,
40 subchapter 2;

1 (b) A loan to a corporation that sponsors an employee stock ownership plan if
2 all proceeds of the loan are loaned to the employee stock ownership plan to
3 acquire for the plan all outstanding employer securities in a qualified business
4 and the plan's repayment terms are substantially similar to the corporation's
5 repayment terms; or

6 (c) A loan used to refinance a qualified business acquisition loan.

7 **Sec. 5. 36 MRSA §5200-A, sub-§2, ¶JJ** is enacted to read:

8 JJ. For taxable years beginning on or after January 1, 2025, to the extent included in
9 federal taxable income and to the extent otherwise subject to Maine income tax, an
10 amount equal to any gain recognized on the sale by the taxpayer of an ownership
11 interest greater than 50% in a qualified business if the business was transferred to:

12 (1) An employee stock ownership plan as defined in the Code, Section 4975(e)(7);

13 (2) An S corporation organized in the State owned by an employee stock
14 ownership plan;

15 (3) An eligible worker-owned cooperative as defined in the Code, Section
16 1042(c)(2);

17 (4) A consumer cooperative organized under Title 13, chapter 85, subchapter 1;
18 or

19 (5) A producer cooperative organized under Title 13, chapter 85, subchapter 2.

20 The deduction allowed pursuant to this paragraph may not exceed \$750,000.

21 For purposes of this paragraph, "qualified business" means a business whose securities
22 are not publicly traded on any stock exchange, including a corporation, an S
23 corporation, a limited liability company, a limited liability partnership, a sole
24 proprietorship and all entities that are not publicly traded and are related by common
25 majority ownership or control, and that is registered with the Secretary of State or
26 whose principal place of business is within the State.

27 **Sec. 6. 36 MRSA §5200-A, sub-§2, ¶KK** is enacted to read:

28 KK. For taxable years beginning on or after January 1, 2025, to the extent included in
29 federal taxable income and to the extent otherwise subject to Maine income tax, an
30 amount equal to the interest received during the taxable year by the taxpayer with
31 respect to a qualified business acquisition loan. For purposes of this paragraph:

32 (1) "Qualified business" means a business whose securities are not publicly traded
33 on any stock exchange, including a corporation, an S corporation, a limited liability
34 company, a limited liability partnership, a sole proprietorship and all entities that
35 are not publicly traded and are related by common majority ownership or control,
36 and that is registered with the Secretary of State or whose principal place of
37 business is within the State; and

38 (2) "Qualified business acquisition loan," including a loan or part of a series of
39 loans, means:

1 (a) A loan of which at least 90% of the proceeds are applied to the acquisition
2 of majority equity ownership of a qualified business not owned by an entity
3 under subdivisions (i) to (v) and that is given to:

4 (i) An employee stock ownership plan as defined in the Code, Section
5 4975(e)(7);

6 (ii) An S corporation organized in the State owned by an employee stock
7 ownership plan;

8 (iii) An eligible worker-owned cooperative as defined in the Code, Section
9 1042(c)(2);

10 (iv) A consumer cooperative organized under Title 13, chapter 85,
11 subchapter 1; or

12 (v) A producer cooperative organized under Title 13, chapter 85,
13 subchapter 2;

14 (b) A loan to a corporation that sponsors an employee stock ownership plan if
15 all proceeds of the loan are loaned to the employee stock ownership plan to
16 acquire for the plan all outstanding employer securities in a qualified business
17 and the plan's repayment terms are substantially similar to the corporation's
18 repayment terms; or

19 (c) A loan used to refinance a qualified business acquisition loan.

20 **Sec. 7. 36 MRS**A §5206, as amended by PL 2019, c. 607, Pt. C, §4, is further
21 amended by enacting at the end a new paragraph to read:

22 For taxable years beginning on or after January 1, 2025, a financial institution subject
23 to tax under this section may for the purposes of the tax under this section subtract from
24 Maine net income an amount equal to the interest received during the taxable year by the
25 financial institution with respect to a qualified business acquisition loan.

26 **Sec. 8. 36 MRS**A §5206-D, sub-§13, as amended by PL 1999, c. 414, §43 and
27 affected by §57, is further amended to read:

28 **13. Maine net income.** "Maine net income" means, for any taxable year, a financial
29 institution's net income or loss per books required to be reported pursuant to the laws of the
30 United States on Internal Revenue Service Form 1120, 1120S, 1065 or any other Internal
31 Revenue Service form used to report net income or loss per books or, in the case of an
32 entity with a single owner that may be disregarded as an entity separate from its owner
33 pursuant to Internal Revenue Service regulations, the financial institution's net income or
34 loss per books determined as if the entity were required to file Internal Revenue Service
35 Form 1065, adjusted in accordance with section 5206, and apportioned to this State under
36 section 5206-E. In the case of a financial institution that is a qualified subchapter S
37 subsidiary as defined by the Code, Section 1361, the financial institution's "Maine net
38 income" means a financial institution's net income or loss per books determined as if the
39 entity were required to file Internal Revenue Service Form 1120S and apportioned to this
40 State under section 5206-E.

41 To the extent that a financial institution derives income from a unitary business carried on
42 by 2 or more members of an affiliated group, "Maine net income" is determined by

1 appportioning, in accordance with section 5206-E, that part of the net income of the entire
2 group that derives from the unitary business.

3 **Sec. 9. 36 MRSA §5206-D, sub-§16-A** is enacted to read:

4 **16-A. Qualified business.** "Qualified business" means a business whose securities
5 are not publicly traded on any stock exchange, including a corporation, an S corporation, a
6 limited liability company, a limited liability partnership, a sole proprietorship and all
7 entities that are not publicly traded and are related by common majority ownership or
8 control, and that is registered with the Secretary of State or whose principal place of
9 business is within the State.

10 **Sec. 10. 36 MRSA §5206-D, sub-§16-B** is enacted to read:

11 **16-B. Qualified business acquisition loan.** "Qualified business acquisition loan,"
12 including a loan or part of a series of loans, means:

13 A. A loan of which at least 90% of the proceeds are applied to the acquisition of
14 majority equity ownership of a qualified business not owned by an entity under
15 subparagraphs (1) to (5) and that is given to:

16 (1) An employee stock ownership plan as defined in the Code, Section 4975(e)(7);

17 (2) An S corporation organized in the State owned by an employee stock
18 ownership plan;

19 (3) An eligible worker-owned cooperative as defined in the Code, Section
20 1042(c)(2);

21 (4) A consumer cooperative organized under Title 13, chapter 85, subchapter 1;
22 or

23 (5) A producer cooperative organized under Title 13, chapter 85, subchapter 2;

24 B. A loan to a corporation that sponsors an employee stock ownership plan if all
25 proceeds of the loan are loaned to the employee stock ownership plan to acquire for
26 the plan all outstanding employer securities in a qualified business and the plan's
27 repayment terms are substantially similar to the corporation's repayment terms; or

28 C. A loan used to refinance a qualified business acquisition loan.

29 **Sec. 11. Evaluation; specific public policy objective; performance**
30 **measures.** The deductions provided under this Act are subject to ongoing legislative
31 review in accordance with the Maine Revised Statutes, Title 3, chapter 37. The Office of
32 Program Evaluation and Government Accountability shall include review of deductions
33 provided under this Act in its regular schedule of tax expenditure reviews. In developing
34 evaluation parameters to perform the evaluation, the Office of Program Evaluation and
35 Government Accountability, the Government Oversight Committee and the joint standing
36 committee of the Legislature having jurisdiction over taxation matters shall consider:

37 **1. Policy objective.** That the specific public policy objective of the deductions
38 provided under this Act is to retain jobs in qualifying businesses that would otherwise cease
39 operations by reducing the tax impact to business owners from qualifying sales of
40 ownership interests in order to encourage conversion of businesses to employee and
41 cooperative ownership and thereby allow the businesses to continue operations and retain
42 jobs; and

