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COPY

Amendment
Review

LD 1919

L.D. 1919

(Filing No. H-)

3/30/22

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
130TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT " " to H.P. 1425, L.D. 1919, "An Act To Encourage Job Growth in the Forest Products Sector through Tax Incentives"

Amend the bill by striking out everything after the enacting clause and inserting the following:

Sec. 1. 5 MRSA §13056, sub-§7, as amended by PL 2003, c. 159, §3, is further amended to read:

7. Contract for services. When contracting for services, to the maximum extent feasible, seek to use the State's private sector resources in conducting studies, providing services and preparing publications; and

Sec. 2. 5 MRSA §13056, sub-§8, as enacted by PL 2003, c. 159, §4, is amended to read:

8. Lead agency for business assistance in response to certain events. Be the lead agency for the State to provide information and business assistance to employers and businesses as part of the State's response to an event that causes the Department of Labor to carry out rapid-response activities as described in 29 United States Code, Sections 2801 to 2872 (2002); and

Sec. 3. 5 MRSA §13056, sub-§9 is enacted to read:

9. Certify certain businesses. Annually certify businesses that are qualified to receive the timber harvesting business tax credit under Title 36, section 5215-A and provide a copy of each certification to the State Tax Assessor.

Sec. 4. 36 MRSA §5215-A is enacted to read:

§5215-A. Credit for timber harvesting sector job growth

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

1 A. "Base level of employment" means the average number of employees employed by
2 the employer during the previous tax year or the previous 3 tax years, whichever is
3 greater.

4 B. "Commissioner" means the Commissioner of Economic and Community
5 Development.

6 C. "Full-time" means an average of at least 36 hours weekly.

7 D. "Qualified employee" means a new, full-time employee of a qualified timber
8 harvesting business who:

9 (1) Works full time during the tax year for which the credit is claimed or, if the
10 employee is employed for only part of the tax year, the employee works at least
11 900 hours during the tax year in employment that is primarily timber harvesting or
12 timber harvesting activities;

13 (2) Is hired in this State by a qualified timber harvesting business and spends at
14 least 90% of the qualified employee's work time in the State;

15 (3) Is covered by the Employment Security Law; and

16 (4) Derives income from employment with a qualified timber harvesting business
17 that, calculated on a calendar year basis, is equal to or greater than the most recent
18 annual per capita personal income in the county in which the employee is
19 employed.

20 "Qualified employee" does not include an employee who is shifted to the qualified
21 timber harvesting business from an affiliated business or an individual with 6 months
22 of paid experience, trained in mechanical timber harvesting or transfer of forest
23 products as defined in Title 12, section 8881, subsection 3.

24 E. "Qualified timber harvesting business" means a for-profit business certified by the
25 commissioner pursuant to Title 5, section 13056, subsection 9 that adds one or more
26 new qualified employees above its base level of employment in this State within a tax
27 year beginning on or after January 1, 2023 and that has at least 75% of its business
28 activities involved in the following:

29 (1) Timber harvesting, as defined in Title 12, section 8868, subsection 4 or timber
30 harvesting activities as defined in Title 12, section 8868, subsection 5; or

31 (2) Delivering timber, wood chips, wood fiber or plant fiber to a roundwood
32 processing operation as defined in Title 12, section 8881, subsection 10.

33 2. Credit. A qualified timber harvesting business is entitled to a refundable credit
34 against the tax otherwise due under this Part for each qualified employee. The credit may
35 not be claimed for more than 5 qualified employees in any tax year nor for more than 3
36 years for any one qualified employee. The credit is equal to:

37 A. For the first tax year that a qualified employee is employed, \$7,500 per qualified
38 employee;

39 B. For the 2nd tax year that a qualified employee is employed, \$5,000 per qualified
40 employee; or

41 C. For the 3rd tax year that a qualified employee is employed, \$3,000 per qualified
42 employee.

1 3. Limitation. A qualified timber harvesting business may not claim a credit under
2 this section during a tax year in which the business is receiving a tax credit under another
3 provision of state law or any other state incentive payment for training new employees in
4 timber harvesting or timber harvesting activities.

5 4. Rulemaking. The commissioner may adopt routine technical rules as defined in
6 Title 5, chapter 375, subchapter 2-A to implement this section and to require a qualified
7 timber harvesting business to report information necessary to facilitate the evaluation
8 required under subsection 5.

9 5. Evaluation. The credit provided under this section is subject to ongoing legislative
10 review in accordance with Title 3, chapter 37. The Office of Program Evaluation and
11 Government Accountability shall submit an evaluation of the credit provided under this
12 section to the joint legislative committee established to oversee program evaluation and
13 government accountability and the joint standing committee of the Legislature having
14 jurisdiction over taxation matters. In developing evaluation parameters to perform the
15 review, the office shall consider:

16 A. That the specific public policy objectives of the credit provided under this section
17 are:

18 (1) To create new jobs in the State by means of timber harvesting businesses
19 recruiting and training new employees in the State for jobs in the timber harvesting
20 sector; and

21 (2) To directly and indirectly improve the overall economy of the State, including
22 the economic sectors of timber harvesting and small business, improve
23 employment in rural areas and expand the tax base; and

24 B. Performance measures, including, but not limited to:

25 (1) The number, geographic distribution and income of full-time employees added
26 or retained during a period being reviewed who would not have been added or
27 retained in the absence of the credit;

28 (2) The increase in value in qualified timber harvesting businesses located in the
29 State; and

30 (3) Direct and indirect economic benefits to the State attributable to timber
31 harvesting activities conducted by businesses receiving a credit under this section.'

32 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section
33 number to read consecutively.

SUMMARY

34
35 This amendment replaces the bill. The amendment creates an income tax credit for
36 qualified timber harvesting businesses that employ new qualified employees hired in the
37 State that are covered by the Employment Security Law and are paid an amount equal to
38 or greater than the most recent annual per capita personal income in the county in which
39 the employees are employed.



130th MAINE LEGISLATURE

LD 1919

LR 2271(02)

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

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
Net Cost (Savings)				
General Fund	\$0	\$138,115	\$528,820	\$1,400,848
Appropriations/Allocations				
General Fund	\$0	\$138,115	\$101,320	\$104,098
Revenue				
General Fund	\$0	\$0	(\$427,500)	(\$1,296,750)
Other Special Revenue Funds	\$0	\$0	(\$22,500)	(\$68,250)

Fiscal Detail and Notes

The bill provides an income tax credit for certain qualified timber harvesting businesses and will reduce General Fund and Other Special Revenue Funds revenue by \$427,500 and \$22,500, respectively, in fiscal year 2023-24.

This bill includes General Fund appropriations totaling \$138,115 in fiscal year 2022-23 for the costs associated with implementing and administering the income tax credit for qualified timber harvesting businesses. Of that amount, a one-time General Fund appropriation of \$33,000 is provided to the Bureau of Revenue Services within the Department of Administrative and Financial Services for the computer programming costs to add lines to individual, fiduciary and corporate income tax returns. Additionally, a General Fund appropriation of \$105,115 is provided to the Business Development program within the Department of Economic and Community Development for one Development Program Officer position and related All Other costs associated with implementing and administering the tax credit program.

Sec. Appropriations and allocations.

The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services, Bureau of 0002

Initiative: Provides one-time funding for computer programming costs to add lines to the individual, fiduciary and corporate income tax returns.

	2021-22	2022-23
GENERAL FUND		
All Other	\$0	\$33,000
GENERAL FUND TOTAL	<u>\$0</u>	<u>\$33,000</u>

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF
DEPARTMENT TOTALS**

	2021-22	2022-23
GENERAL FUND	<u>\$0</u>	<u>\$33,000</u>
DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$33,000</u>

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

Business Development 0585

Initiative: Provides ongoing funds for one Development Program Officer position and related All Other costs to implement and administer the income tax credit for qualified timber harvesting businesses.

	2021-22	2022-23
GENERAL FUND		
POSITIONS - LEGISLATIVE COUNT	0.000	1.000
Personal Services	\$0	\$65,115
All Other	\$0	\$40,000
GENERAL FUND TOTAL	<u>\$0</u>	<u>\$105,115</u>

**ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF
DEPARTMENT TOTALS**

	2021-22	2022-23
GENERAL FUND	<u>\$0</u>	<u>\$105,115</u>
DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$105,115</u>

SECTION TOTALS

	2021-22	2022-23
GENERAL FUND	<u>\$0</u>	<u>\$138,115</u>
SECTION TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$138,115</u>