



**Revenue loss to the State from the tax credit for Maine shipbuilding
facility investment**

**A Report Prepared for the:
Joint Standing Committee on Taxation**

**Department of Administrative and Financial Services
Maine Revenue Services**

December 31, 2022

I. Introduction

Maine Revenue Services (“MRS”) is providing this report in compliance with Maine Revised Statutes Title 36, section 5219-RR, subsection 9, paragraph C, which requires MRS to provide annual reports to the Joint Standing Committee on Taxation of the revenue loss to the State as a result of the income tax credit for Maine shipbuilding facility investment for each taxpayer claiming the credit. This report follows the annual report on the credit issued by the Department of Economic and Community Development pursuant to Title 36, section 5219-RR, subsection 9, paragraph B.

II. Description of Benefits

A nonrefundable income tax credit is available to shipbuilders who meet employment and investment thresholds and are certified by the Commissioner of the Department of Economic and Community Development to receive the credit.

Certification requires, among other things, that the applicant owns and operates or proposes to construct a Maine shipbuilding facility, employs at least 5,000 qualified workers, has made a qualified investment of at least \$100,000,000 at its Maine shipbuilding facility, and does not receive Pine Tree Zone or Employment Tax Incremental Financing benefits.

The credit is equal to \$3,000,000 per year and can be increased up to \$3,500,000 if the applicant satisfies certain employment and investment criteria. The credit is reduced if qualified employment falls below 5,500, and taxpayers with qualified employment below 4,000 cannot claim the credit. Unused credits cannot be carried forward.

Taxpayers may claim the credit for 10 consecutive tax years. This limitation is extended to 15 consecutive tax years if the taxpayer makes an additional \$100,000,000 qualified investment at its Maine shipbuilding facility.

III. General Fund Revenue Loss for Report Year 2021

MRS is required to report the revenue loss during the report year as a result of this credit for each taxpayer claiming the credit. For purposes of the report, "revenue loss" means the credit claimed by the taxpayer and allowed pursuant to Title 36, section 5219-RR. “Report year” means the tax year ending during the immediately preceding calendar year.

For report year 2021, only one taxpayer with a tax year ending in 2021 claimed the credit. The revenue loss to the State for this taxpayer was \$3,250,000, represented in the table below:

Report Year	Number of Taxpayers Claiming the Credit	Total Revenue Loss
2021	1	(\$3,250,000)
2020	1	(\$3,000,000) ¹

¹ This represents the previously reported revenue loss in report year 2020 and is included for historical reference only.