

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Amend the bill by inserting after the enacting clause and before section 1 the following:

‘Sec. 1. 36 MRSA §191, sub-§2, ¶EEE is enacted to read:

EEE. The disclosure to the joint standing committee of the Legislature having jurisdiction over taxation matters of information necessary to make the report required under section 199-F, subsection 2.

Sec. 2. 36 MRSA §199-F is enacted to read:

§ 199-F. Transfers to cooperatives and employee-owned businesses

1. Information. The bureau shall require taxpayers claiming the exclusion for gain on sale of a business under section 5122, subsection 2, paragraph PP and section 5200-A, subsection 2, paragraph BB and the exclusion for interest on a loan financing acquisition of a business under section 5122, subsection 2, paragraph QQ, section 5200-A, subsection 2, paragraph CC and section 5206 to provide information that identifies the standard industrial classification of the business that is being transferred, the total value of the transaction to which the tax expenditure relates, the average number of full-time equivalent employees employed by the business being transferred during the calendar year preceding the transfer and the number of units of housing owned or controlled by the business in question.

2. Report. By December 1st of each year beginning in 2021, the bureau shall submit a report to the Office of Program Evaluation and Government Accountability established in Title 3, section 991 and the committee identifying the United States Department of Commerce, Bureau of the Census, North American Industry Classification System code identification and location of each transaction for which a deduction was claimed under section 5122, subsection 2, paragraph QQ, section 5200-A, subsection 2, paragraph CC and section 5206 during the previous calendar year, the aggregate number of full-time equivalent employees employed by the businesses for which a deduction was claimed and the aggregate number of units of housing owned or controlled by the businesses for which a deduction was claimed. Notwithstanding any other provision of law to the contrary, the reports provided under this section are public records as defined in Title 1, section 402, subsection 3.’

Amend the bill in section 1 in paragraph PP in the first line (page 1, line 3 in L.D.) by striking out the following: "2017" and inserting the following: '2019 and before January 1, 2027'

Amend the bill in section 1 in paragraph PP in the 3rd line (page 1, line 5 in L.D.) by striking out the following: "taxpayer of an" and inserting the following: 'taxpayer of a majority'

Amend the bill in section 1 in paragraph PP in subparagraph (2) in the first line (page 1, line 9 in L.D.) by striking out the following: "of" and inserting the following: 'organized in'

Amend the bill in section 1 in paragraph PP in the blocked paragraph in the first line (page 1, line 17 in L.D.) by inserting after the following: "means a business" the following: 'that employs 100 or fewer full-time equivalent employees and'

Amend the bill in section 1 in paragraph PP in the blocked paragraph in the last line (page 1, line 21 in L.D.) by striking out the following: "private entities related by common" and inserting the following: 'entities that are not publicly traded related by common majority'

Amend the bill in section 1 in paragraph QQ in the first line (page 1, line 22 in L.D.) by striking out the following: "2017" and inserting the following: '2019 and before January 1, 2027'

Amend the bill in section 1 in paragraph QQ in subparagraph (1) in the first line (page 1, line 26 in L.D.) by inserting after the following: "means a business" the following: 'that employs 100 or fewer full-time equivalent employees and'

Amend the bill in section 1 in paragraph QQ in subparagraph (1) in the 5th line (page 1, line 30 in L.D.) by striking out the following: "private entities related by common" and inserting the following: 'entities that are not publicly traded related by common majority'

Amend the bill in section 1 in paragraph QQ in subparagraph (2) in division (a) in the 2nd line (page 1, line 35 in L.D.) by inserting after the following: "majority" the following: 'equity'

Amend the bill in section 1 in paragraph QQ in subparagraph (2) in division (a) in subdivision (ii) in the first line (page 1, line 39 in L.D.) by striking out the following: "of" and inserting the following: 'organized in'

Amend the bill in section 2 in paragraph BB in the first line (page 2, line 15 in L.D.) by striking out the following: "2017" and inserting the following: '2019 and before January 1, 2027'

Amend the bill in section 2 in paragraph BB in the 2nd line (page 2, line 16 in L.D.) by striking out the following: "adjusted gross" and inserting the following: 'taxable'

Amend the bill in section 2 in paragraph BB in the 3rd line (page 2, line 17 in L.D.) by striking out the following: "taxpayer of an" and inserting the following: 'taxpayer of a majority'

Amend the bill in section 2 in paragraph BB in subparagraph (2) in the first line (page 2, line 21 in L.D.) by striking out the following: "of" and inserting the following: 'organized in'

Amend the bill in section 2 in paragraph BB in the blocked paragraph in the first line (page 2, line 29 in L.D.) by inserting after the following: "means a business" the following: 'that employs 100 or fewer full-time equivalent employees and'

Amend the bill in section 2 in paragraph BB in the blocked paragraph in the last line (page 2, line 33 in L.D.) by striking out the following: "private entities related by common" and inserting the following: 'entities that are not publicly traded related by common majority'

Amend the bill in section 2 in paragraph CC in the first line (page 2, line 34 in L.D.) by striking out the following: "2017" and inserting the following: '2019 and before January 1, 2027'

Amend the bill in section 2 in paragraph CC in the 2nd line (page 2, line 35 in L.D.) by striking out the following: "adjusted gross" and inserting the following: 'taxable'

Amend the bill in section 2 in paragraph CC in subparagraph (1) in the first line (page 2, line 38 in L.D.) by inserting after the following: "means a business" the following: 'that employs 100 or fewer full-time equivalent employees and'

Amend the bill in section 2 in paragraph CC in subparagraph (1) in the 5th line (page 3, line 1 in L.D.) by striking out the following: "private entities related by common" and inserting the following: 'entities that are not publicly traded related by common majority'

Amend the bill in section 2 in paragraph CC in subparagraph (2) in division (a) in the 2nd line (page 3, line 6 in L.D.) by inserting after the following: "majority" the following: 'equity'

Amend the bill in section 2 in paragraph CC in subparagraph (2) in division (a) in subdivision (ii) in the first line (page 3, line 10 in L.D.) by striking out the following: "of" and inserting the following: 'organized in'

Amend the bill by inserting after section 2 the following:

‘Sec. 3. 36 MRSA §5206, as repealed and replaced by PL 2005, c. 608, §1 and affected by §5, is amended by adding at the end a new paragraph to read:

For taxable years beginning on or after January 1, 2019 and before January 1, 2027, the taxpayer may for the purposes of the tax under this section subtract from Maine net income an amount equal to the interest received during the taxable year by the taxpayer with respect to a qualified business acquisition loan.’

Amend the bill in section 3 in subsection 13 in the 8th and 9th lines (page 3, lines 34 and 35 in L.D.) by striking out the following: "5200-A, subsection 2, paragraph CC," and inserting the following: '5206.'

Amend the bill by striking out all of section 4 and inserting the following:

‘Sec. 4. 36 MRSA §5206-D, sub-§§16-A and 16-B are enacted to read:

16-A. Qualified business. "Qualified business" means a business that employs 100 or fewer full-time equivalent employees and whose securities are not publicly traded on any stock exchange and that is organized in the State or whose principal place of business is within the State including a corporation, an S corporation, a limited liability company, a limited liability partnership, a sole proprietorship and all entities that are not publicly traded related by common majority ownership or control.

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

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

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

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

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

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

(5) If the business provides housing, a consumer cooperative or a cooperative affordable housing corporation organized under Title 13, chapter 85, subchapter 1-A;

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

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

Sec. 5. Evaluation; specific public policy objective; performance measures. The deductions provided under this Act are subject to ongoing legislative review in accordance with the Maine Revised Statutes, Title 3, chapter 37. The Office of Program Evaluation and Government Accountability shall report on the first evaluation of the deductions provided under this Act by February 28, 2026. In developing evaluation parameters to perform the evaluation, the Office of Program Evaluation and Government Accountability, the Government Oversight Committee and the joint standing committee of the Legislature having jurisdiction over taxation matters shall consider:

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

2. Performance measures. Performance measures, including, but not limited to:

A. The number of qualifying business ownership conversions to employee or cooperative ownership;

B. The number of full-time equivalent jobs retained; and

C. Measures of fiscal impact and overall economic impact to the State.

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

SUMMARY

This amendment restricts the proposed income tax deduction to businesses with 100 or fewer employees, limits the deduction to tax years from 2018 to 2025, provides a process for evaluation of the deduction and reporting of information and makes clarifying and technical changes.

FISCAL NOTE REQUIRED

(See attached)