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An Act To Provide an Income Tax Credit To Encourage Small Business Hiring

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

Sec. 1. 36 MRSA §5219-VV is enacted to read:

§ 5219-VV. Small business hiring incentive credit

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

A. "Employment" means, for each tax year, the amount determined by adding the total number of full-time employees of an employer on each of 6 consecutive measurement days of that tax year chosen by the employer and then dividing that sum by 6.

B. "Full-time" means an average of at least 32 hours weekly during the period that an employee is employed.

C. "Measurement day" means the last business day of every other month of a tax year.

D. "Qualified employee" means:

(1) A year-round, full-time employee first hired no more than 24 months prior to the end of the tax year for which the credit is claimed and who was retained by the employer for at least 12 consecutive months during the 24 months prior to the end of the tax year; or

(2) A seasonal full-time employee first hired for a season beginning no more than 24 months prior to the end of the tax year for which the credit is claimed and who was reemployed for a 2nd season during the 24 months prior to the end of the tax year.

2. Credit allowed. An employer with employment of 25 or fewer full-time employees during the tax year is allowed a refundable credit equal to the amount of the employer's share of federal social security tax and Medicare tax paid by the employer that is attributable to the first 40 hours of employment of a qualified employee.

Sec. 2. Application. This Act applies to tax years beginning on or after January 1, 2020.

SUMMARY

This bill provides a new employee hiring incentive by means of an income tax credit for employers with an average of 25 or fewer full-time employees during a tax year. The credit is equal to the amount of federal social security tax and Medicare tax paid by the employer for the first 40 hours of employment for new employees who are employed for at least 12 consecutive months for year-round jobs or at least 2 consecutive seasons for seasonal jobs.