

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 striking out the title and substituting the following:

**'An Act To Create and Sustain Jobs and Encourage Affordable Housing
through Development of Cooperatives and Employee-owned Businesses'**

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

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

The Office of Business Development ~~shall be~~ responsible for the implementation of a program consisting of ~~34~~ primary elements.

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

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

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

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

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

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

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

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

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

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

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

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

(3) The number of housing units converted to cooperative ownership; and

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

Sec. 3. 36 MRSA §5122, sub-§2, ¶¶QQ and RR are enacted to read:

QQ. For taxable years beginning on or after January 1, 2020, to the extent included in federal adjusted gross income and to the extent otherwise subject to Maine income tax, an amount equal to any gain recognized on the sale by the taxpayer of an ownership interest greater than 50% in a qualified business if the business was transferred 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.

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

For purposes of this paragraph, "qualified business" means a business whose securities are not publicly traded on any stock exchange and that is registered with the Secretary of 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 and are related by common majority ownership or control.

RR. For taxable years beginning on or after January 1, 2020, to the extent included in federal adjusted gross income and to the extent otherwise subject to Maine income tax, an amount equal to the interest received during the taxable year by the taxpayer with respect to a qualified business acquisition loan. For purposes of this paragraph:

(1) "Qualified business" means a business whose securities are not publicly traded on any stock exchange and that is registered with the Secretary of 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 and are related by common majority ownership or control; and

(2) "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 subdivisions (i) to (v) and that is given to:

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

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

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

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

(v) 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. 4. 36 MRSA §5200-A, sub-§2, ¶¶FF and GG are enacted to read:

FF. For taxable years beginning on or after January 1, 2020, to the extent included in federal taxable income and to the extent otherwise subject to Maine income tax, an amount equal to any gain recognized on the sale by the taxpayer of an ownership interest greater than 50% in a qualified business if the business was transferred 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.

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

For purposes of this paragraph, "qualified business" means a business whose securities are not publicly traded on any stock exchange and that is registered with the Secretary of 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 and are related by common majority ownership or control.

GG. For taxable years beginning on or after January 1, 2020, to the extent included in federal taxable income and to the extent otherwise subject to Maine income tax, an amount equal to the interest received during the taxable year by the taxpayer with respect to a qualified business acquisition loan.
For purposes of this paragraph:

(1) "Qualified business" means a business whose securities are not publicly traded on any stock exchange and that is registered with the Secretary of 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 and are related by common majority ownership or control; and

(2) "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 subdivisions (i) to (v) and that is given to:

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

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

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

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

(v) 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. 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, 2020, 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.

Sec. 6. 36 MRSA §5206-D, sub-§13, as amended by PL 1999, c. 414, §43 and affected by §57, is further amended to read:

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

To the extent that a financial institution derives income from a unitary business carried on by 2 or more members of an affiliated group, "Maine net income" is determined by apportioning, in accordance with section 5206-E, that part of the net income of the entire group that derives from the unitary business.

Sec. 7. 36 MRSA §5206-D, sub-§§16-A and 16-B are enacted to read:

16-A. Qualified business. "Qualified business" means a business whose securities are not publicly traded on any stock exchange and that is registered with the Secretary of 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 and are 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. 8. 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 include review of deductions provided under this Act in its regular schedule of tax expenditure reviews. 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 preserve and expand units of affordable housing in manufactured housing parks and apartment buildings and retain jobs in qualifying 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 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 units of affordable housing created or retained;
- C. The number of housing units converted to cooperative housing; and
- D. Measures of fiscal impact and overall economic impact to the State.

Sec. 9. 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 to update income tax filing forms.

GENERAL FUND	2019-20	2020-21
All Other	\$77,000	\$0
GENERAL FUND TOTAL	\$77,000	\$0

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS GENERAL FUND	2019-20 \$77,000	2020-21 \$0
DEPARTMENT TOTAL - ALL FUNDS	\$77,000	\$0

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

Business Development 0585

Initiative: Provides funds to contract with a nonprofit economic development organization to develop and manage the Maine Employee Ownership Center.

GENERAL FUND	2019-20	2020-21
All Other	\$100,000	\$50,000
GENERAL FUND TOTAL	\$100,000	\$50,000

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF DEPARTMENT TOTALS GENERAL FUND	2019-20 \$100,000	2020-21 \$50,000
DEPARTMENT TOTAL - ALL FUNDS	\$100,000	\$50,000

SECTION TOTALS GENERAL FUND	2019-20 \$177,000	2020-21 \$50,000
SECTION TOTAL - ALL FUNDS	\$177,000	\$50,000

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

SUMMARY

This amendment requires the Department of Economic and Community Development, Office of Business Development to contract with a nonprofit development organization with relevant expertise to develop and manage the Maine Employee Ownership Center to provide information and programs to assist businesses in the transition to employee or cooperative ownership, rather than requiring the office to provide those services. The amendment removes requirements that the Department of Administrative and Financial Services, Maine Revenue Services collect specified data and report annually to the Office of Program Evaluation and Government Accountability and that the Maine Public Employees Retirement System study investment of funds in employee-owned businesses. The amendment also makes changes to facilitate the administration and evaluation of the deductions provided in the bill. The amendment also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED (See attached)