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H.P. 591

House of Representatives, March 11, 2025

An Act to Promote Research and Development in the State by Amending the Research Expense Tax Credit

Received by the Clerk of the House on March 5, 2025. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

ROBERT B. HUNT

R(+ B. Hunt

Presented by Representative SAYRE of Kennebunk.

Cosponsored by Senator PIERCE of Cumberland and

Representatives: CROCKETT of Portland, MALON of Biddeford, RIELLY of Westbrook,

ROBERTS of South Berwick, SARGENT of York.

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

- **Sec. 1. 36 MRSA §5219-K, sub-§1,** as amended by PL 2007, c. 627, §91, is further amended to read:
- 1. Credit allowed. A taxpayer is allowed a credit against the tax due under this Part equal to the sum of 5% 10% of the excess, if any, of the qualified research expenses for the taxable year over the base amount and 7.5% 15% of the basic research payments determined under the Code, Section 41(e)(1)(A). The term "base amount" means 50% of the average amount per year spent on qualified research expenses over the previous 3 taxable years by the taxpayer. As used in this section, unless the context otherwise indicates, the terms "qualified research expenses," "qualified organization base period amount," "basic research" and any other terms affecting the calculation of the credit have the same meanings as under the Code, Section 41, but apply only to expenditures for research conducted in this State. In determining the amount of the credit allowable under this section, the State Tax Assessor may aggregate the activities of all corporations that are members of a controlled group of corporations, as defined by the Code, Section 41(f)(1)(A) and in addition may aggregate the activities of all entities, whether or not incorporated, that are under common control, as defined by the Code, Section 41(f)(1)(B).
- **Sec. 2. 36 MRSA §5219-K, sub-§3,** as amended by PL 2023, c. 360, Pt. B, §11, is further amended to read:
- **3. Limitation on credit allowed.** The credit allowed under this section is limited to 100% of a corporation's first \$25,000 \$50,000 of tax due, as determined before the allowance of any credits, plus 75% of the corporation's tax due, as determined in excess of \$25,000 \$50,000. The assessor may adopt rules similar to those authorized under the Code, Section 38(c)(6)(B).

Sec. 3. 36 MRSA §5219-K, sub-§8 is enacted to read:

- **8.** Annual report. On or before December 31st annually, beginning in 2027, the assessor shall report to the Department of Economic and Community Development the following information for expenditures that receive credit pursuant to this section for the taxable year ending during the immediately preceding calendar year:
 - A. The absolute value of research and development expenditures in the State by calendar year and research and development expenditures as a percentage of the State's gross domestic product;
 - B. The dollar value of the credits claimed and the number of individuals and corporations claiming the credits; and
 - C. A list of industry sectors in which credit recipients operate, the absolute value and rate of growth of annual gross domestic product of those industry sectors in the State and the absolute value and rate of growth of annual payroll in those industry sectors in the State.
- On or before March 1st annually, beginning in 2027, the department shall report to the joint standing committees of the Legislature having jurisdiction over taxation matters and economic development matters information on the credit under this section, including any information reported by the assessor under this subsection.

1 **Sec. 4. 36 MRSA §5219-K, sub-§9** is enacted to read: 2 9. Evaluation; public policy objective; performance measures. The credit provided 3 under this section is subject to legislative review in accordance with Title 3, section 999. 4 In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability, the joint legislative committee established to 5 6 oversee program evaluation and government accountability matters and the joint standing 7 committee of the Legislature having jurisdiction over taxation matters shall consider: 8 A. The specific public policy objectives of the credit provided under this section to 9 stimulate research and development investment, to create high-quality jobs by encouraging investment in research and development and to encourage the recruitment 10 11 and training of employees and improve the overall economy of the State by expanding 12 the number of businesses conducting and investing in research and development; and 13 B. Performance measures, including, but not limited to: 14 (1) The amount of the tax expenditure credited; 15 (2) The absolute value of research and development investment in the State and 16 the rate of increase relative to other New England states and the United States; 17 (3) The growth in the number of employees at corporations that receive this tax 18 credit: 19 (4) The growth in the number of employees earning high wages, measured as those 20 employees earning 125% or more of the median annual income of the county in 21 which the recipient operates; and 22 (5) The absolute value of the State's gross domestic product and the rate of increase 23 relative to other New England states and the United States. **SUMMARY** 24 25 This bill increases the research expense tax credit by increasing the amount of 26 expenditures eligible for the credit, doubling the rate by which the credit is calculated, 27 doubling the maximum amount of the credit that may be claimed and halving the base 28

amount used to determine the credit. The bill also establishes an annual reporting requirement and considerations that must be taken into account when developing evaluation parameters to perform a review of the tax credit.

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