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No. 554

S.P. 211

In Senate, February 11, 2025

An Act to Encourage Resident-owned Communities and Cooperatives and Preserve Affordable Housing Through Tax Credits

Reference to the Committee on Taxation suggested and ordered printed.

DAREK M. GRANT Secretary of the Senate

Presented by Senator RENY of Lincoln.

Cosponsored by Senators: BAILEY of York, CURRY of Waldo, Representatives: DOUDERA of Camden, FARRIN of Jefferson, GERE of Kennebunkport, GRAMLICH of Old Orchard Beach.

2 Sec. 1. 36 MRSA §5122, sub-§2, ¶AAA is enacted to read: 3 AAA. For taxable years beginning on or after January 1, 2025, to the extent included 4 in federal adjusted gross income and to the extent otherwise subject to state income 5 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 provides housing and 6 7 was transferred to a consumer cooperative organized under Title 13, chapter 85, 8 subchapter 1 or a cooperative affordable housing corporation organized under Title 13, 9 chapter 85, subchapter 1-A. 10 (1) The deduction allowed pursuant to this paragraph may not exceed \$750,000. 11 (2) For purposes of this paragraph, "qualified business" means a business whose securities are not publicly traded on any stock exchange, including a corporation, 12 13 an S corporation, a limited liability company, a limited liability partnership, a sole 14 proprietorship and all entities that are not publicly traded and are related by 15 common majority ownership or control, and: (a) That is registered with the Secretary of State; or 16 17 (b) Whose principal place of business is within the State. Sec. 2. 36 MRSA §5200-A, sub-§2, ¶JJ is enacted to read: 18 19 JJ. For taxable years beginning on or after January 1, 2025, to the extent included in 20 federal taxable income and to the extent otherwise subject to state income tax, an 21 amount equal to any gain recognized on the sale by the taxpayer of an ownership 22 interest greater than 50% in a qualified business if the business provides housing and 23 was transferred to a consumer cooperative organized under Title 13, chapter 85, 24 subchapter 1 or a cooperative affordable housing corporation organized under Title 13, 25 chapter 85, subchapter 1-A. 26 (1) The deduction allowed pursuant to this paragraph may not exceed \$750,000. 27 (2) For purposes of this paragraph, "qualified business" means a business whose securities are not publicly traded on any stock exchange, including a corporation, 28 29 an S corporation, a limited liability company, a limited liability partnership, a sole 30 proprietorship and all entities that are not publicly traded and are related by 31 common majority ownership or control, and: 32 (a) That is registered with the Secretary of State; or (b) Whose principal place of business is within the State. 33 34 Sec. 3. Evaluation; specific public policy objective; performance measures. 35 The tax deductions provided under this Act are subject to ongoing legislative review in 36 accordance with the Maine Revised Statutes, Title 3, chapter 37. The Office of Program 37 Evaluation and Government Accountability shall include review of tax deductions 38 provided under this Act in its regular schedule of tax expenditure reviews. In developing 39 evaluation parameters to perform the evaluation, the Office of Program Evaluation and 40 Government Accountability, the Government Oversight Committee and the joint standing 41 committee of the Legislature having jurisdiction over taxation matters shall consider:

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

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1. Policy objective. That the specific public policy objective of the tax deductions 2 provided under this Act is to preserve and increase the number of units of affordable 3 housing in manufactured housing parks and apartment buildings; and 4 **2. Performance measures.** Performance measures, including, but not limited to: 5 A. The number of full-time equivalent jobs retained and units of affordable housing 6 created or retained: 7 B. The number of housing units converted to cooperative housing; and 8 C. Measures of fiscal impact and overall economic impact to the State. 9 **SUMMARY** 10 This bill does the following to support resident-owned communities and cooperatives. 1. It excludes from state income tax the amount of gain, up to a maximum of \$750,000, 11 12 recognized by a taxpayer in transferring the business to a consumer cooperative or 13 cooperative affordable housing corporation. 14 2. It specifies the policy objective and the performance measures that the Office of Program Evaluation and Government Accountability, the Government Oversight 15 Committee and the joint standing committee of the Legislature having jurisdiction over 16 17 taxation matters must consider in developing evaluation parameters to perform the review 18 of the tax deductions provided under the bill as required by the Maine Revised Statutes,

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Title 3, chapter 37.