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No. 1919

H.P. 1425

House of Representatives, January 12, 2022

An Act To Encourage Job Growth in the Forest Products Sector through Tax Incentives

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Received by the Clerk of the House on January 10, 2022. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative EVANS of Dover-Foxcroft.
Cosponsored by President JACKSON of Aroostook and
Representatives: COLLINGS of Portland, Speaker FECTEAU of Biddeford, McCREA of Fort
Fairfield, PERRY of Calais.

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

2 **Sec. 1. 36 MRSA §6753, sub-§8-A** is enacted to read:

3 **8-A. Forest products business.** "Forest products business" means a business engaged
4 commercially in:

5 A. Timber harvesting, as defined in Title 12, section 8868, subsection 4;

6 B. The delivery of raw materials to a wood products facility;

7 C. Activities that are dependent on the production of wood fiber;

8 D. The processing of trees as a renewable resource for wood or biomass or for direct
9 timber sales;

10 E. The production of trees for ornamental plantings or woody material for composite
11 products or for use as a combustion energy source; or

12 F. Other timber harvesting activities such as the construction and maintenance of roads
13 used primarily for timber harvesting and other activities conducted to facilitate timber
14 harvesting, including, but not limited to, the mining of gravel used for the construction
15 and maintenance of roads used primarily for timber harvesting and other activities
16 conducted to facilitate timber harvesting.

17 **Sec. 2. 36 MRSA §6753, sub-§11**, as amended by PL 2001, c. 157, §1, is further
18 amended to read:

19 **11. Qualified business.** "Qualified business" means any for-profit business in this
20 State, other than a public utility as defined by Title 35-A, section 102, that adds 5 or more
21 qualified employees above its base level of employment in this State within any 2-year
22 period commencing on or after January 1, 1996, or, in the case of a forest products business,
23 adds one or more qualified employees above its base level of employment in this State
24 within a one-year period commencing on or after January 1, 2023, and that meets one of
25 the following criteria:

26 A. The business is not engaged in retail operations;

27 B. The business is engaged in retail operations but less than 50% of its total annual
28 revenues from Maine-based operations are derived from sales taxable in this State; or

29 C. The business is engaged in retail operations and can demonstrate to the
30 commissioner by a preponderance of the evidence that any increased sales will not
31 include sales tax revenues derived from a transferring or shifting of retail sales from
32 other businesses in this State; or

33 D. The business is a forest products business.

34 For purposes of this subsection, "retail operations" means sales of consumer goods for
35 household use to consumers who personally visit the business location to purchase the
36 goods.

37 **Sec. 3. 36 MRSA §6753, sub-§12**, as amended by PL 2015, c. 368, §5, is repealed
38 and the following enacted in its place:

39 **12. Qualified employee.** Except as provided in paragraph A or B, "qualified
40 employee" means a new, full-time employee hired in this State by a qualified business for

1 whom a retirement program subject to the Employee Retirement Income Security Act of
2 1974, 29 United States Code, Chapter 18 and group health insurance are provided and
3 whose income derived from employment with the applicant, calculated on a calendar year
4 basis, is greater than the most recent annual per capita personal income in the county in
5 which the qualified employee is employed, as long as Maine income tax withholding
6 attributed to the qualified employee is subject to reimbursement to the qualified business
7 under this chapter.

8 A. For an employee in a call center in Aroostook County or Washington County,
9 "qualified employee" means a new, full-time employee hired in this State by a qualified
10 business for whom a retirement program subject to the Employee Retirement Income
11 Security Act of 1974, 29 United States Code, Chapter 18 and group health insurance
12 are provided and whose income derived from employment with the applicant,
13 calculated on a weekly basis, is greater than the average weekly wage for the most
14 recent available calendar year as derived from the quarterly census of employment and
15 wages and provided annually by the Department of Labor, as long as Maine income
16 tax withholding attributed to the qualified employee is subject to reimbursement to the
17 qualified business under this chapter. The calculation of the average weekly wage must
18 include data from the counties of Androscoggin, Aroostook, Franklin, Hancock,
19 Kennebec, Knox, Lincoln, Oxford, Penobscot, Piscataquis, Sagadahoc, Somerset,
20 Waldo and Washington. With respect to a call center in Aroostook County or
21 Washington County, in a county in which the average annual unemployment rate at the
22 time of certification for the most recent calendar year is greater than the state average
23 for the same year, the wage threshold is 90% of the average weekly wage as derived
24 from the quarterly census of employment and wages. With respect to a call center in
25 Aroostook County or Washington County and upon approval of the commissioner, a
26 qualified business located in a county in which the average annual unemployment rate
27 at the time of certification for the most recent calendar year is greater than the state
28 average for that same year qualifies for a phase-in of salary threshold requirements.
29 Except for a call center in Aroostook County or Washington County as otherwise
30 provided in this paragraph, a qualified business under this provision must meet 70% of
31 the average weekly wage as derived from the quarterly census of employment and
32 wages in the first year of certification, 80% of the average weekly wage as derived
33 from the quarterly census of employment and wages in the 2nd year of certification
34 and 90% of the average weekly wage as derived from the quarterly census of
35 employment and wages in all following years of certification. Failure to meet any of
36 these requirements results in automatic revocation of certification.

37 B. For an employee employed by a qualified business that is a forest products business,
38 "qualified employee" means a new employee hired in this State by the qualified
39 business who is employed for at least 900 hours in a calendar year by the qualified
40 business and for whom a retirement program subject to the Employee Retirement
41 Income Security Act of 1974, 29 United States Code, Chapter 18 and group health
42 insurance are provided and whose income derived from employment with the
43 applicant, calculated on a calendar year basis, is greater than the most recent annual
44 per capita personal income in the county in which the qualified employee is employed,
45 as long as Maine income tax withholding attributed to the qualified employee is subject
46 to reimbursement to the qualified business under this chapter.

1 "Qualified employee" does not include an employee who is shifted to a qualified business
2 from an affiliated business. The commissioner shall determine whether a shifting of
3 employees has occurred.

4 **Sec. 4. 36 MRSA §6754, sub-§1, ¶E** is enacted to read:

5 E. For a qualified business that is a forest products business in this State,
6 notwithstanding any provision of this chapter to the contrary, the reimbursement is
7 equal to:

8 (1) Up to 160 hours of the labor costs for both the qualified employee and another
9 employee of the qualified business who is training that qualified employee;

10 (2) The cost of training and equipment, other than the cost of labor, required to
11 train a qualified employee; and

12 (3) A percentage of the amount of Maine income tax withheld for a qualified
13 employee as follows:

14 (a) For the first calendar year of employment, 80%;

15 (b) For the 2nd calendar year of employment, 70%; and

16 (c) For the 3rd calendar year of employment, 60%.

17 For purposes of this paragraph, an employee who meets the definition of "qualified
18 employee" but for the failure to work at least 900 hours in the calendar year of that
19 employee's first year of employment with a qualified business that is a forest products
20 business is deemed to complete that employee's first year of employment on December
21 31st of the calendar year following the hire of that employee and a qualified employer
22 may obtain reimbursement for the costs incurred pursuant to subparagraphs (1) and (2)
23 and subparagraph (3), division (a) as long as that employee is a qualified employee.

24 SUMMARY

25 This bill amends the Maine Employment Tax Increment Financing Act to allow
26 employers engaged in the forest products business, which includes timber harvesting and
27 the processing of trees as a renewable resource for wood or biomass, that otherwise would
28 not meet the minimum requirements for participation, which include adding 5 new full-
29 time employees, to be eligible for reimbursement of certain training and other costs.

30 This bill allows a qualified forest products business that adds at least one new employee
31 who works a minimum of 900 hours in a calendar year to be eligible for reimbursement
32 for:

33 1. Up to 160 hours of the labor costs for both the new employee and the person training
34 that employee;

35 2. The cost of training and equipment, other than the cost of labor, necessary to train
36 that new employee; and

37 3. A percentage of Maine income tax withheld for a new employee in the first 3 years
38 of employment as follows:

39 A. For the first calendar year of employment, 80%;

40 B. For the 2nd calendar year of employment, 70%; and

1 C. For the 3rd calendar year of employment, 60%.

2 If a new employee does not work at least 900 hours in the first calendar year of
3 employment, the partial first year of employment and the calendar year following that
4 employee's start is considered the first year of employment for purposes of determining the
5 percentage of reimbursement as long as that employee meets the requirements during the
6 first full year of employment. Additionally, the costs of training incurred by the employer
7 and the amount equal to the tax withheld for that new employee during that partial calendar
8 year of employment may be claimed by the employer in the calendar year following the
9 employee's start, as long as that employee meets all the requirements for qualification,
10 including working at least 900 hours.