

Shipbuilding Facility Credit

Statutory Reference: 36 MRS §5219-RR

Policy Group: Business Incentive- Targeted Industry

Enactment: 2018¹ (Credit can be claimed starting in tax year 2020)

Sunset: 2034

Incentive Type: Income Tax, Credit

FY 22 General Fund Revenue Loss Estimate: \$2,850,000

FY 23 General Fund Revenue Loss Estimate: \$2,850,000

Data Availability: Applicants, DECD Commissioner, and State Tax Assessor all have annual reporting requirements. Credits not claimed until starting in tax year 2020, so data has not yet been provided.

Administering Agency: DECD has administrative responsibility for the credit, including certifying applicants provided that they meet certain requirements. DECD has reporting requirements.

Purpose in Statute: To create and retain jobs in the shipbuilding industry in this State by providing an income tax credit to reduce the cost of investments in shipbuilding businesses and thereby encourage investment in shipbuilding businesses and improve the competitiveness of this State's shipbuilding industry

Metrics in Statute: employment during the period being reviewed and how employment during the period compares to the minimum employment requirements; the amount of qualified investment during the period being reviewed, and how expenditures compare to the minimum level of expenditure; measures of industry competitiveness; measures of fiscal impact and overall economic impact to the State; and information regarding the procedures for ensuring compliance with the preference requirements.

Taxpayers Impacted: Fewer than 5 taxpayers affected.

This is a non-refundable income tax credit for 10 years (for tax years beginning on or after January 1, 2020) for major investments in a shipbuilding facility when criteria are met. An additional 5 years of credit is allowed for a subsequent investment. Requires the credit to be reviewed by August 15, 2024 by OPEGA.

Qualified employees must have access to retirement programs and group health insurance and a certain income level. Certified applicants must give preference to Maine workers, companies and bidders when awarding contracts, purchasing supplies or subcontracting work.

Qualified investment is at least \$100,000,000. Must be made within 5 years of issuance of certificate of approval. The initial credit is taken over 10 years. It's 3% of the applicant's total qualified investment. An additional credit may be taken if the applicant completes an additional investment of at least \$100,000,000 prior to January 1, 2025. It is taken in the 11th tax year continuing through the 15th tax year. It is also a 3% credit. The cumulative credit limit for the initial investment of any certified applicant is \$30,000,000 and the total cumulative credit limit for both the initial and subsequent investments is \$45,000,000 for any certified applicant.

¹ A different shipbuilding credit existed previously under 36 MRS §919.

Major Business Headquarters Expansion

Statutory Reference: 36 MRS 5219-QQ

Policy Group: Business Incentive

Enactment: 2017

Sunset: Investments must be made by December 31, 2022 but credits can be claimed for 20 years

Incentive Type: Income Tax, Credit

FY 22 General Fund Revenue Loss Estimate: \$0

FY 23 General Fund Revenue Loss Estimate: \$760,000

Data Availability: Certified applicants, the DECD Commissioner, and the State Tax Assessor are required to make reports annually. Certified applicants report number of full-time employees, incremental amount of investment; total number of additional full-time employees added in the State above the base level of employment; the incremental number of full-time employees in the State added during the report year; the average and median wages of all additional full-time employees above the certified applicant's base level of employment ; and the percentage and number of all additional full-time employees above the certified applicant's base level of employment who have access to benefits. The State Tax Assessor shall report to the Taxation Committee the revenue loss during the report year as a result of each taxpayer claiming the credit. Data are public record.

Administering Agency: DECD

Purpose in Unallocated Law: To create and retain high-quality jobs in the State by encouraging major businesses to locate their headquarters in the State or to expand their headquarters in the State.

Metrics in Statute: (1) Number of additional full-time employees added during a period being reviewed and how employment during that period compares to the minimum employment requirements set forth in statute; (2) the amount of qualified investment during a period being reviewed, and how expenditures compare to the minimum level of expenditure set forth in statute; (3) the change in the number of major business headquarters located in the State and the number of expansions of those headquarters during a period being reviewed; (4) measures of fiscal impact and overall economic impact to the State; and (5) number of new employees for whom health and retirement benefits are available.

Taxpayers Impacted: Not Red Book; fewer than 3 taxpayers affected based on current investment limits.

This is a refundable income tax credit of 2% of taxpayer's investment for a major business that expands or locates its headquarters in Maine and hires the required number of new employees. It is available for 20 consecutive years, and the cumulative credit is limited to \$16 million per certificate. Business must meet certain requirements to be certified including employing at least 5,000 employees worldwide with at least 25% based in the State; having headquarters in the State; having business locations in at least 3 other states or foreign countries; and intend to make a qualifying investment in the State within 5 years following application. A qualified investment for the purposes of the credit is at least \$35,000,000 to design, permit, construct, modify, equip or expand the applicant's headquarters in the State. Applicants must meet certain targets for employment growth.

Qualified investments must occur after having received a certificate of approval and before December 31, 2022. The DECD Commissioner may not issue certificates of approval that total, in the aggregate, more than \$100,000,000 of qualified investment or any individual certificate of approval for more than \$40,000,000 of qualified investment. The credit begins in the year the applicant receives the certificate of completion from the Commissioner of DECD, but not before 2020.

Major Food Processing & Manufacturing Facilities Expansion Credit

Statutory Reference: 36 MRS §5219-VV

Policy Group: Business Incentive- Targeted Industry

Enactment: 2019

Sunset: 2024

Incentive Type: Income Tax, Credit

FY 22 General Fund Revenue Loss Estimate: \$0

FY 23 General Fund Revenue Loss Estimate: \$1,111,500

Data Availability: Credit claims cannot be made until the tax year beginning January 2022. Annually, certified applicants provide information on employment and incremental investment made in the report year. Reports are directed to OPEGA and the Taxation Committee. The DECD Commissioner also will report aggregate data on employment levels and qualified investment amounts of certified applicants to OPEGA and the Taxation Committee annually. Annually, the assessor shall report to OPEGA and the Taxation Committee the revenue loss during the report year for each taxpayer claiming the credit.

Administering Agency: DECD

Purpose in Statute: To create high-quality jobs in the State by encouraging major businesses to locate or expand their food processing and manufacturing facilities in this State and to encourage the recruitment and training of employees for these facilities; and to directly and indirectly improve the overall economy of the State including the agricultural economy, small businesses, employment in rural areas and, and expansion of the tax base.

Metrics in Statute: Including but not limited to: the number, geographic distribution and income of full-time employees added or retained during a period being reviewed who would not have been added or retained in the absence of the credit; the number and amount of qualified investments made by certified applicants during the review period; the increase in value in agricultural products produced in the State; and direct and indirect economic benefits to the State attributable to qualified investments entitled to a credit under this section.

Taxpayers Impacted: Fewer than 5 taxpayers affected

This is a refundable income tax credit for construction or expansion of a qualifying food processing and manufacturing facility in Maine.

DECD is responsible for certifying business eligibility and qualifying investments. Qualifying investments must be at least \$35,000,000. Eligible businesses must meet certain requirements including income thresholds for employees and employment levels.

The credit must be claimed over a period of 20 years with the annual credit amount equal to 1.8% of the taxpayer's qualified investment. The credit may not be claimed in years when certain business income thresholds are not met. The aggregate credit allowed with respect to each certificate may not exceed \$30,600,000. Additional restrictions and recapture provisions apply.

Income Tax Credit for Paper Manufacturing Facility Investment

Statutory Reference: 36 MRS §5219-YY

Policy Group: Business Incentive- Targeted Industry

Enactment: 2021

Sunset: Qualifying investment must be made by 12/31/23

Incentive Type: Income Tax, Credit

FY 22 General Fund Revenue Loss Estimate: \$0

FY 23 General Fund Revenue Loss Estimate: \$0 (FY 24 \$793,000, FY 25 \$1.52M)

Data Availability: Annually, certified applicants provide information on employment and incremental investment made in the report year to DECD. DECD reports annually to the assessor and the Taxation Committee aggregate employment levels and qualified investment amounts. The assessor will report on revenue loss to the Taxation Committee annually beginning in 2025.

Administering Agency: DECD

Purpose in Statute: To provide incentives for the revitalization of paper manufacturing facilities in counties with high unemployment and to create or retain high-quality jobs in the state by encouraging paper manufacturers to modernize their paper manufacturing equipment to better compete in the marketplace.

Metrics in Statute: Including but not limited to: Number of employees added or retained during review period; amount of qualified investments made; increase in vitality and competitiveness of state's paper industry; change in number of paper manufacturers in the state and number of modernization products undertaken at those facilities; measures of fiscal and economic impact to the state and regions of certified applicants.

Taxpayers Impacted: Not listed in the Red Book; likely fewer than 5 taxpayers affected based on the credit design.

This is a refundable income tax credit for expenditures of at least \$15,000,000 to design, permit, build, rebuild, modify, replace, repair or acquire equipment to modernize or improve a paper manufacturing facility. Investment date must be between January 1, 2019 and December 31, 2023. Credit is for 4% of the qualified investment. Cumulative credits for all certified applicants may not exceed \$1,600,000 per year and \$16,000,000 in total.

Qualified applicants must be located in a county with an unemployment rate at least 20% higher than the state average and have at least 400 employees, at least 75% of whom earn at least 115% of county per capita personal income. Applicants may not be certified under the Pine Tree Development Zone program and facilities cannot be located in a low-income community or receive a qualified low-income community investment. A credit is not allowed to any person for any tax year during which the headquarters of the certified applicant are not located in the State. Qualified investments must be made within 2 years of the date of certificate approval.