

## CURRENT MAINE BUSINESS CREDITS

**Jobs and Investment Tax Credit.** The credit is based on the federal credit amount, according to the Internal Revenue Code in effect as of December 31, 1985, which is based on investment in qualified property. Limitations: the taxpayer must create at least 100 new jobs within two years from the date the qualified property was placed in service and invest at least \$5,000,000 in one year. The credit is limited to tax liability or \$500,000, whichever is less, and cannot be carried back, but can be carried forward up to seven years. 36 M.R.S.A. § 5215.

**Maine Seed Capital Tax Credit.** The credit is based on a certificate issued by FAME, which is equal to 40% of qualified investment (60%, if the investment is in a business located in a certain high-unemployment area). Limitations: the taxpayer can only take 25% of the credit in the year of the investment and 25% in each of the following three years. The amount of the credit taken in any one year cannot exceed 50% of the tax otherwise due. The credit cannot be carried back, but can be carried forward up to 15 years. 36 M.R.S.A. § 5216-B.

**Family Development Account Credit.** The credit is based on amounts contributed to a family development account reserve fund, as defined by 10 M.R.S.A. § 1075(4). Eligible contributions are certified by FAME. Limitations: the credit is limited to 50% of the contribution and may not exceed \$25,000. Also, the aggregate credit claimed by all taxpayers in a state fiscal year is limited to \$200,000. There is no provision for either carry back or carry forward of unused credit amounts. 36 M.R.S.A. § 5216-C.

**Employer-Assisted Day Care Tax Credit.** The credit is based on expenses incurred by an employer to provide full-time day care to children of employees. Limitations: the credit is limited to 20% of qualified expenses, but cannot exceed \$100 for each child enrolled on a full-time basis or \$5,000 in total. The credit cannot exceed the tax liability otherwise due. The credit can be carried back for three years and carried forward for 15 years. 36 M.R.S.A. § 5217.

**Employer-Provided Long-Term Care Benefits Credit.** The credit is based on expenses incurred by an employer for providing long-term care insurance as part of a benefits package. Limitations: the credit is limited to 20% of qualified expenses, but cannot exceed \$100 per covered employee or \$5,000 in total. The credit cannot exceed the tax liability otherwise due. The credit cannot be carried back, but can be carried forward up to 15 years. 36 M.R.S.A. § 5217-B.

**Research Expense Tax Credit.** The credit is based on a percentage of the federal credit for increasing research activities. Limitations: the credit is limited to 5% of the excess qualified research expenses over the previous three-year average, plus 7.5% of the basic research payments under IRC § 41(e)(1)(A). The credit is limited to the tax liability of the taxpayer. For corporate taxpayers, the credit is further limited to 100% of the first \$25,000 in tax liability plus 75% of the tax liability in excess of \$25,000. The credit cannot be carried back, but can be carried forward for up to 15 years. 36 M.R.S.A. § 5219-K.

**Super Research and Development Credit.** Taxpayers that qualify for the research expense credit may also qualify for the super research credit. The credit is based on qualified research payments exceeding 150% of the average for the three taxable years immediately preceding June 12, 1997. Limitations: the credit is limited to 50% of the tax otherwise due after all other credits. Further, the credit cannot reduce tax liability below the amount due the previous year after credits. The credit cannot be carried back, but can be carried forward for up to five years. 36 M.R.S.A. § 5219-L.

**High-Technology Investment Tax Credit.** The credit is based on the adjusted basis of eligible equipment. Limitations: the credit is limited to high-tech equipment purchased (or leased) by businesses engaged primarily in high-tech activities. The credit cannot reduce tax below zero or to an amount below the previous year's tax after credits and cannot exceed \$100,000 in any one year. The credit cannot be carried back, but can be carried forward for up to five years. 36 M.R.S.A. § 5219-M.

**Credit for Dependent Health Benefits Paid.** The credit is based on small business employer (four or fewer employees) expenses related to providing health benefits to dependents of low-income employees. Limitations: the credit is limited to 20% of qualified expenses, not to exceed \$125 per low-income employee with covered dependents. The credit cannot exceed 50% of the taxpayer's liability. The employer must meet benefit plan availability and funding requirements. The credit cannot be carried back, but can be carried forward for up to two years. 36 M.R.S.A. § 5219-O.

**Clean Fuel Credit.** The credit is based on 50% of qualified expenditures made from January 1, 1999 to December 31, 2001 and 25% of qualified expenditures made from January 1, 2002 to December 31, 2008. Limitations: qualified expenditures are only those made to construct or improve a facility in order to provide clean fuels to the general public. The credit can only apply to tax associated with sales of clean fuel. The credit cannot be carried back, but can be carried forward until the entire credit is exhausted. 36 M.R.S.A. § 5219-P.

**Quality Child Care Investment Credit.** The credit is based on expenditures related to investments in quality child care that are certified by the Department of Health and Human Services. Limitations: the credit for corporations is limited to 30% of qualified expenses, not to exceed \$9,000. Individual taxpayers must expend \$10,000 in one year and is allowed a credit of \$1,000 each year for 10 years and \$10,000 at the end of the 10-year period. The credit cannot reduce the tax below zero, but can be carried over until exhausted. 36 M.R.S.A. § 5219-Q.

**Historic Rehabilitation Credit.** The credit is equal to the federal historic rehabilitation credit (IRC § 47) claimed for the tax year, including any federal carryforward or carryback amounts. Limitations: the credit is limited to \$100,000 and cannot reduce tax to below zero. Certain developers working on specified projects at the Kennebec Arsenal District National Historic Landmark may be eligible for a refundable credit, beginning with the 2006 tax year. 36 M.R.S.A. § 5219-R.

**Pine Tree Development Zone Tax Credit.** A taxpayer engaged in the business of financial services, manufacturing or a targeted technology, as defined by 5 M.R.S.A. § 15301, that is located within a Pine Tree Development Zone may be eligible for certain tax benefits. To be eligible, the taxpayer must add at least one new, full-time job that meets certain wage requirements and that offers retirement and health care benefits. For tax years beginning after 2003, a tax credit is available up to 100% of the tax liability associated with qualified business activity for each of the first five years. The credit is up to 50% of the Maine tax liability associated with qualified business activity for each of the years six through ten. Also, eligible businesses may, under the Employment Tax Increment Financing ("ETIF") program, receive, for up to ten years, 80% reimbursement of income tax withholding related to qualified Pine Tree Development Zone employees. The increased reimbursement applies to income tax withheld after 2003. In addition, sales tax exemptions, for up to ten years, apply beginning July 1, 2005 for tangible personal property incorporated into real property located in a Pine Tree Development Zone and for tangible personal property purchased directly by qualified development zone businesses. 36 M.R.S.A. § 5219-W.

**Biofuel Production and Use Credit.** This credit is based on the production of biofuel. Biofuel means “any liquid or gaseous product or energy source . . . that is derived from agricultural crops or residues or from forest products or byproducts, as distinct from petroleum or other fossil carbon sources.” The credit is equal to 5¢ per gallon of biofuel produced. The credit cannot reduce tax liability below zero, but unused amounts can be carried forward for up to five taxable years. The taxpayer must obtain certification from the Maine Department of Environmental Protection as to the biofuel eligible for the credit. The credit applies to tax years beginning after 2003. 36 M.R.S.A. § 5219-X.

**Certified Media Production Credit.** A media production company engaged in a media production that is certified by the Department of Economic and Community Development (“DECD”) is allowed a credit equal to the Maine income tax related to the income from the certified media production. The credit may not reduce the entity’s tax liability below zero and unused credit amounts may not be carried over to prior or future years. Businesses claiming the Pine Tree Development Zone income tax credit under 36 M.R.S.A. § 5219-W are not eligible for this credit. 36 M.R.S.A. § 5219-Y.

**Credit for Pollution Control Boilers.** A qualified business is allowed a credit of 1.5¢ per kilowatt-hour (or equivalent) produced by a pollution-reducing boiler. The credit may not reduce the taxpayer's income tax liability to less than zero, but unused credit amounts may be carried over until exhausted. Eligible businesses and boilers are certified by the Department of Environmental Protection. The credit applies to tax years beginning on or after January 1, 2006 and is repealed December 31, 2009. 36 M.R.S.A. § 5219-Z.

**Community wind power generator credit.** A community wind power generator that is certified by the Public Utilities Commission is entitled to an income tax credit for ten consecutive years following the commencement of operation. The credit is equal to the tax associated with the taxable income of the wind power generator. Qualified generators may also be eligible for sales tax exemptions and/or reimbursements. Effective August 23, 2006. 36 M.R.S.A. § 5219-AA.