

Dirigo Business Incentives Tax Credit Qualified Business Credit Calculation (Schedule QB) and County Investment Schedule (Schedule QB-1) General Instructions

The Dirigo Business Incentives Tax Credit (DTC) is available to qualified businesses engaged in qualified business activities in the State that invest in eligible business property or qualified employee training programs. Qualified businesses must be certified by the Maine Department of Economic and Community Development (DECD). The credit is equal to five or ten percent of the business's eligible capital investment placed in service in Maine, depending on the location of the qualified property, plus \$2,000 for each qualified employee that completes a qualified employee training program during the tax year. Other limitations apply.


For more information about the Dirigo business incentives program, including qualifying businesses and certification requirements, contact DECD at (207) 624-9800 or visit maine.gov/decd/business-development/financial-incentives-resources/incentives/dirigo. For questions about this form and how to claim the DTC, email Maine Revenue Services (MRS), Corporate Tax Unit at corporate.tax@maine.gov.

Who must complete Schedules QB and QB-1? Schedules QB and QB-1 are informational reports required to be filed by each qualified business that receives a letter of certification from DECD. The Schedules must be filed for each tax year for which the DTC may be claimed with respect to a specific Dirigo certification. The Schedules include information about eligible investments, qualified training, and other information related to the DTC.

Filing Schedules QB and QB-1. Schedules QB and QB-1 must be filed together, but separately from other returns. Do not attach these schedules to your Maine income tax return. A qualified business that receives two or more letters of certification from DECD must complete and file a separate Schedule QB and QB-1 for each certification.

Schedules QB and QB-1 must be filed with MRS after the end of the qualified business's tax year in which the eligible capital investment has been placed in service or the qualified employee training program has been completed, and before the DTC claim can be processed.

Note: To claim the DTC, the partners, members, shareholders, beneficiaries, or other owners of the qualified business must complete and include with their annual income tax return the applicable Dirigo Business Incentives Tax Credit Worksheet based on information provided by the qualified business described in the Other Information Reporting Requirements section below. The taxpayer worksheets are available at maine.gov/revenue/tax-return-forms.

Maine  File Schedules QB and QB-1 electronically using the Maine Tax Portal at revenue.maine.gov. If unable to file online, you may mail Schedules QB, QB-1, and all supporting documents to Maine Revenue Services, Corporate Tax Unit, P.O. Box 9107, Augusta, ME 04332-9107.

Other Information Reporting Requirements. In the case of a qualified business operating as a pass-through entity (partnership, LLC, S corporation, or trust), the qualified business must provide certain information to its partners, members, shareholders, beneficiaries, or other owners to facilitate the proper calculation of the credit, credit limitations, and, if applicable, the recapture and disallowance of the credit. The pass-through entity must, at a minimum, provide the following information to its members:

- (1) The certification number issued by DECD to the qualified business;
- (2) The total qualified business credit from Schedule QB, line 6;
- (3) In the case of a qualified business that is a partnership or S corporation that is an affiliated business, the affiliated business ratio;
- (4) In the case of a layoff within the five-year period following the date property was placed in service, notice to its members that a layoff has occurred as defined by 36 M.R.S. § 5219-AAA(1)(I) and that the member may be subject to credit carryover disallowance. The notice must include information necessary to determine the amount of disallowance, including the date the layoff threshold was met; and
- (5) Notice informing each member that eligible business property was removed from service during a tax year prior to the end of the 5-year period the property was required to be used exclusively in a qualified business activity. The notice must contain sufficient information to assist the pass-through entity's members in determining the amount of any credit recapture.

Eligible Capital Investment. The eligible capital investment is the total of business expenditures incurred by the qualified business after receiving a letter of certification that exceed \$50,000 to purchase eligible business property that was placed in service during the tax year.

Eligible Business Property. Eligible business property includes depreciable tangible personal and real property purchased after the qualified business received a letter of certification and was placed in service in the State during the tax year. Eligible property must be used exclusively for the qualified business activity described in a letter of certification and be subject to an allowance for depreciation under the Internal Revenue Code (the Code) during the tax year, or would be subject to an allowance for depreciation under the Code if the property had not been expensed under the Code, Section 179. The following property is not eligible:

- Property with a depreciable useful life of less than 5 years;

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- Property purchased or transferred from an affiliated business;
- Property located at a retail sales facility and used primarily in a retail sales activity;
- A vehicle subject to the aircraft, house trailers, and motor vehicles excise tax imposed under Title 36, chapter 111 or a watercraft subject to the watercraft excise tax imposed under Title 36, chapter 112;
- Qualified rehabilitation property used to calculate the credit for rehabilitation of historic properties under 36 M.R.S. § 5219-BB; or
- Real property placed in service in the State before the tax year for which a credit is sought.

Qualified employee training program. A qualified employee training program means a qualified business's training activities for the qualified business activity described in a letter of certification issued by DECD and includes:

- A registered Maine Apprenticeship Program pursuant to Title 26, chapter 37;
- An on-the-job training contract pursuant to Title 26, section 2172;
- Training provided by or approved for funding from the Maine Community College System; and
- Education or training provided by the University of Maine System or other accredited university or college in this State.

The qualified employee training program must provide training for at least 3 qualified employees. The training must include at least 20 hours for each employee. Employees participating in qualified training must be paid their regular hourly rate of pay, or the qualified business must expend a minimum of \$2,000 for each participating employee.

Credit Allowed. The credit is equal to the sum of the following:

- (1) Ten percent of the eligible capital investment placed in service in Maine outside of Cumberland, Sagadahoc and York counties;
- (2) Five percent of the eligible capital investment placed in service in Maine in Cumberland, Sagadahoc and York counties; and
- (3) Two thousand dollars for each qualified employee engaged in a qualified employee training program provided by the business completed in the tax year.

Credit Limitations. The credit, including carry-overs, may not exceed \$2,000,000 for any one tax year. Any excess credit over the \$2,000,000 limitation can be carried forward for up to 4 years after the credit was claimed. The credit is refundable up to \$500,000 per tax year. These limitations must be pro-rated among certain affiliated businesses and

allocated among the members of a pass-through entity and beneficiaries of an estate or trust, as further described below.

Partnerships and S Corporations. In the case of a partner in a partnership or a shareholder of an S corporation, the credit may not exceed \$2,000,000 multiplied by the pro rata share of the partner or shareholder. The credit is refundable up to \$500,000 multiplied by the pro rata share of the partner or shareholder.

The partner's pro rata share must equal the partner's percentage interest in the taxable income or loss of the partnership for federal income tax purposes for the taxable year. The pro rata share of a shareholder of an S corporation must equal the shareholder's percentage share of stock of the S corporation as of the end of the taxable year.

In the case of a taxpayer that is a partner in a partnership or a shareholder in an S corporation that is an affiliated business, the credit limit of \$2,000,000 and the refundable credit limit of \$500,000 must be multiplied by the pro rata share of the partner or shareholder, the result of which is multiplied by a ratio, the numerator of which is the eligible capital investment of the affiliated business during the tax year plus \$2,000 for each qualified employee of the affiliated business engaged in a qualified employee training program completed during the tax year and the denominator of which is the total eligible capital investment of all members of the affiliated business group during the tax year plus \$2,000 for each qualified employee of all members of the affiliated business group engaged in a qualified employee training program completed during the tax year.

Estates and Trusts. In the case of a beneficiary of an estate or trust that is a partner in a partnership or shareholder in an S corporation, the credit may not exceed \$2,000,000 multiplied by the estate or trust's pro rata share of the qualified business, the result of which is multiplied by the beneficiary's pro rata share of tax credits. The credit is refundable up to \$500,000 multiplied by the estate or trust's pro rata share of the qualified business, the result of which is multiplied by the beneficiary's pro rata share of tax credits.

The beneficiary's share of tax credits must equal the beneficiary's share of federal distributable net income of the estate or trust. If the estate or trust has no federal distributable net income for the taxable year, each beneficiary's share of tax credits is in proportion to that beneficiary's share of the estate or trust income for that year, under local law or the terms of the instrument, which is required to be distributed currently, and any other amounts of income distributed in that year.

Corporations. In the case of corporations that are members of an affiliated business group engaged in a unitary business, the credit may not exceed \$2,000,000, and is refundable up to \$500,000, for the entire qualified group. The credit limit of \$2,000,000 and the refundable credit limit of \$500,000 must be apportioned among the taxable corporations in the

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affiliated business group that are qualified businesses in the same proportion that the tax liability of each qualified taxable corporation in the affiliated business group bears to the total liability of all the qualified taxable corporations in the affiliated business group.

Affiliated Business. An affiliated business is a member of a group of 2 or more businesses in which more than 50% of the voting stock of each member corporation or more than 50% of the ownership interest in a business other than a corporation is directly or indirectly owned by a common owner, either corporate or noncorporate.

Withdrawn Property. Generally, eligible business property forming the basis of the DTC must remain in use in the State of Maine for the entire five-year period following the date the property was placed in service. Property temporarily removed from service for maintenance, repair or due to a catastrophic event is excluded from this requirement. The DTC is subject to recapture, and any related carryover credit subject to disallowance, to the extent that the qualifying property is removed from service prior to the 5th anniversary of the date the property was placed in service in Maine by the qualified business in the qualifying activity. The portion of the credit to be recaptured is equal to the credit allowed for all years prior to the year in which the property was withdrawn multiplied by the following two ratios:

- (1) A fraction, the numerator of which is the eligible capital investment attributable to the property withdrawn

from service and the denominator of which is the total eligible investment for the taxable year that property was placed in service; and

- (2) A fraction, the numerator of which is the number of years remaining in the five-year period rounded up to the nearest whole number and the denominator of which is 5.

The portion of the unused credit carryforward to be disallowed is equal to the remaining unused credit multiplied by ratio 1 and 2 above.

Layoffs. All remaining unused carry-over credits are disallowed beginning in the year in which a qualified business undergoes a layoff. A layoff occurs at a qualified business when there is a reduction in workforce that results in an employment loss of 20% or more for at least two consecutive months during the same tax year. A qualified business with less than 20 employees during each of the 4 quarters immediately preceding the reduction in workforce is exempt from this requirement. A layoff excludes any reduction in workforce due to a catastrophic event, or due to a restriction on the weight or passage of any vehicle on Maine roadways by the Department of Transportation under Title 29-A, section 2395.

A catastrophic event includes a fire, flood, hurricane, windstorm, earthquake or other similar event or a declared state disaster or emergency within the meaning of Title 10, section 9902, subsection 1 that is not within the control of a business to prevent.

Schedule QB - Specific Instructions

Line 1. Check the boxes that correspond to each qualified business activity included in the letter of certification issued to the qualified business.

Line 2. Check the box that corresponds to your business type. For boxes a-1 and b-1, see the definition of affiliated business in the General Instructions. See MRS Rule 810 for more information related to corporations engaged in a unitary business activity.

Affiliated Business Ratio. Use lines 7a through 7i to compute the affiliated business ratio for a qualified business that is a partnership or S corporation and is an affiliated business. The affiliated business ratio is used to determine the annual credit and refundability limits for partners and shareholders of qualified partnerships and S corporations that are members of an affiliated business group. See the

credit limitation section for partnerships and S corporations in the general instructions for more information. The affiliated business ratio must be provided to the partners or shareholders of the qualified business.

Line 7a. If you checked box a-1 on line 2, check yes and complete lines 7a through 7i to compute your affiliated business ratio. Otherwise, check no and leave these lines blank.

Line 7e. Enter the total eligible capital investment from Schedule QB, lines 3a and 4a for all members in the affiliated group that are qualified businesses.

Line 7f. Enter the total number of qualified employees reported on Schedule QB, line 5b for all members in the affiliated group that are qualified businesses.

Schedule QB-1 - Specific Instructions

Lines 2a - 2c and 3a - 3m. Enter the amount of capital investment included on line 1c on the applicable line for the county in which the property was placed in service.