**An Act To Promote Research and Development in the State by Increasing and Marketing the Research Expense Tax Credit**

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

**Sec.** **1. 36 MRSA §5219-K, sub-§1,** as amended by PL 2007, c. 627, §91, is further amended to read:

**1.** **Credit allowed.**  A taxpayer is allowed a credit against the tax due under this Part equal to the sum of ~~5%~~ 10% of the excess, if any, of the qualified research expenses for the taxable year over the base amount and ~~7.5%~~ 15% of the basic research payments determined under the Code, Section 41(e)(1)(A). The term "base amount" means the average amount per year spent on qualified research expenses over the previous 3 taxable years by the taxpayer. As used in this section, unless the context otherwise indicates, the terms "qualified research expenses," "qualified organization base period amount," "basic research" and any other terms affecting the calculation of the credit have the same meanings as under the Code, Section 41, but apply only to expenditures for research conducted in this State. In determining the amount of the credit allowable under this section, the State Tax Assessor may aggregate the activities of all corporations that are members of a controlled group of corporations, as defined by the Code, Section 41(f)(1)(A) and in addition may aggregate the activities of all entities, whether or not incorporated, that are under common control, as defined by the Code, Section 41(f)(1)(B).

**Sec.** **2. 36 MRSA §5219-K, sub-§3,** as amended by PL 2007, c. 627, §92, is further amended to read:

**3.** **Limitation on credit allowed.**  The credit allowed under this section is limited to 100% of a corporation's first ~~$25,000~~ $50,000 of tax due, as determined before the allowance of any credits, plus 75% of the corporation's tax due, as determined in excess of ~~$25,000~~ $50,000. The assessor shall adopt rules similar to those authorized under the Code, Section 38(c)(5)(B) for purposes of apportioning the ~~$25,000~~ $50,000 among members of a controlled group.

**Sec.** **3. Appropriations and allocations.**  The following appropriations and allocations are made.

**ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF**

**Research Expense Tax Credit Marketing Fund N348**

Initiative: Provides ongoing funds to advertise and market the research expense tax credit under the Maine Revised Statutes, Title 36, section 5219-K.

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| --- | --- | --- |
| **GENERAL FUND** | **2021-22** | **2022-23** |
| All Other | $100,000 | $100,000 |
|  | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_ |
| GENERAL FUND TOTAL | $100,000 | $100,000 |

**SUMMARY**

This bill increases the research expense tax credit by doubling the expenditures eligible for the credit and the maximum amount of the credit that may be claimed. The bill also provides ongoing funds of $100,000 per year beginning in fiscal year 2021-22 to the Department of Economic and Community Development to advertise and market the research expense tax credit.