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Maine Department of Administrative and Financial Services

January 25, 2021 | Contact: [Kelsey Goldsmith](#)

**Mills Administration Submits Proposal To Support Maine Families & Businesses Ahead of Tax Filing Season**

*The budget change package largely conforms to recent pandemic-induced revisions to the Federal tax code and mitigates the burden for Maine families and businesses during the ongoing pandemic*

**Augusta, MAINE** – The Mills Administration today submitted a proposed change package to the Supplemental Budget in order to accommodate recent adjustments to the Federal tax code contained in the more than 6,400 pages of pandemic relief bills enacted by Congress over the past several months, including the most recent at the end of last month.

With this proposal, the Administration hopes to maintain a degree of stability and predictability for individual and corporate taxpayers in Maine, to conform to the Federal changes as much as possible, and to provide tax relief to Maine families and businesses during the ongoing COVID-19 pandemic. The proposal reduces the burden for Maine families and businesses by:

- Preserving the power of the Earned Income Tax Credit, which provides tax relief to middle- and low-income Maine families with children.
- Providing to Maine families improved tax treatment and flexibility for health care spending, like qualified medical expenses or telehealth costs, to assist people with their health needs during the pandemic.
- Creating an allowance for any Maine resident whose work situation changed at the onset of COVID-19 to ensure they are not required to pay income tax to two states.
- Maintaining standard treatment so no Maine business owes State taxes on Paycheck Protection Program proceeds spent to keep employees on payroll or on other deductible expenses such as rent or utilities. The Administration would have preferred to fully conform to the Federal government's additional benefit of treating these funds as nontaxable income, but, at an estimated cost of \$100 million, it was not able to do so and still balance the budget without additional federal aid to the states such as that which Congress recently rejected.
- Extending the State tax credit for Maine small businesses to help them recoup costs associated with providing paid family medical leave, thereby helping them keep people employed and ensuring Maine workers have the means to quarantine, isolate, and/or care for family members amid the pandemic.
- Permitting graduates to claim the Opportunity Maine Tax Credit, which reimburses student loan payments, for completed student loan payments even if the graduate is unemployed during the pandemic.

- Expanding the Educators Expense Deduction for Maine teachers, which allows them to deduct unreimbursed expenses for classroom materials, now including personal protective equipment, disinfectant, and other COVID-19 related supplies.

The extension of these critical tax benefits to Maine families and businesses would result in a net revenue loss of approximately \$1.285 million for the State for Fiscal Year 2021, which the Administration has proposed to pay for with savings in other areas.

“Right now, Maine people are focused on what’s most important: trying to keep themselves healthy, trying to provide for themselves and their families, and trying to get through this pandemic,” **said Governor Janet Mills**. “In this package, my Administration is maximizing tax relief wherever and whenever possible, providing as much stability and predictability to Maine businesses as we can, and providing whatever help we can to get Maine people through these trying times.”

The change package is specific to the upcoming State tax filing season and comes as individual filers, corporations, and CPAs across the nation attempt to keep pace with a multitude of recent COVID-19 related Federal tax code changes.

“Across the country, my counterparts and their teams have been closely reviewing the more than 6,480 pages of Federal pandemic relief legislation, much of it passed just weeks ago, to understand the tax implications for our states and to maximize wherever possible the benefits for our people,” **said Kirsten Figueroa, Commissioner for the Department of Administrative and Financial Services**, of which Maine Revenue Services is a division. “As we began that effort in Maine last summer, and through this most recent round of Federal relief, the Governor has always been clear on what she wants: prioritize stability and predictability and provide as much relief as possible to help Maine people, families, and businesses through this challenging time. That is what we are doing here.”

Last October, [the Mills Administration provided tax guidance](#) to Maine people and announced it would introduce legislation in January 2020 to: 1) further help them avoid adverse tax burdens caused by the COVID-19 pandemic; and 2) adjust to Federal tax code changes resulting from the CARES Act and other relief measures. This change package fulfills that promise and also addresses new tax code adjustments made in the most recent round of pandemic relief, the Consolidated Appropriations Act, signed into law on December 27, 2020, just nine business days prior to Maine’s recent statutory budget submission deadline.

“We are grateful for the more than \$8 billion in pandemic relief that has already flowed through Maine as a result of Federal efforts, and while the timeline and detail of the resulting tax code changes have required an expedient review, I am proud of the dedicated team within this Administration for crafting a solution that supports Maine people and businesses during these difficult times and maintains the State’s sound fiscal footing,” **said Commissioner Figueroa**.

“We know that taxes can be complicated enough without taking into consideration the added anxiety of a public health crisis and all the resulting tax code changes from recently passed

relief measures. That is why Governor Mills has instructed Maine Revenue Services to be sure we are providing first-class service to Maine tax filers during a tax season that is going to be unlike any other,” **said Jerome Gerard, Executive Director of Maine Revenue Services**, a division of the Department of Administrative and Financial Services. “We stand ready to assist Maine people, and in particular Maine’s Paycheck Protection Program recipients, who may need to discuss payment plans or request a waiver of penalties or interest due to personal circumstances resulting from the pandemic, and we encourage filers to reach out to us sooner rather than later to begin those conversations. The IRS will open the tax filing season on February 12, and our staff will be available then to process State returns, refunds, and extensions.”

Maine tax forms and instructions for 2020, along with Maine estimated tax and withholding tables for 2021, are available through Maine Revenue Services or local accountants and tax preparers. For calendar-year filers, the deadline for filing the 2020 Maine individual income tax return is April 15.

Full details of the change package will be available on the [Bureau of the Budget website](#) today. [Maine Revenue Services’ website](#) should be referenced for more detailed overviews of each proposal component, including eligibility criteria.

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