



Maine Tax Conformity and Federal Public Law 119-21

Maine Revenue Services – Office of Tax Policy
September 8, 2025

The Internal Revenue Code and Maine Title 36

- Maine tax law uses federal definitions of many key terms.
- Individual income tax
 - Maine adjusted gross income = Federal AGI + modifications
 - Child and dependent care credit = Federal child and dependent care credit * Maine credit rate
 - Maine standard deduction = Federal standard deduction (pre-2026 only)
- Corporate income tax
 - Maine adjusted federal taxable income = Federal taxable income + modifications
 - Maine employer family and medical leave credit = Federal credit allowed for employees based in Maine
- There are many other linkages between the Internal Revenue Code and Maine tax law.



Static Conformity

- 36 MRSA §111, sub-§1-A: "Code" means the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, 2024.
- Maine does not automatically adopt changes to the Internal Revenue Code.
- Legislation (the conformity bill) must be passed to adopt federal changes.
 - The revenue impact of adopting changes to the Internal Revenue Code is recognized in a fiscal note for the conformity bill.
- The initial focus of the Office of Tax Policy has been on provisions that are effective for the 2025 tax year.



Research and Experimental Expense Deduction

- Prior to 2022, taxpayers were allowed to fully deduct research expenses in the year incurred.
- Starting in 2022, taxpayers required to amortize domestic research expenses over a five-year period.
 - Under half-year convention, deduction spread over 6 years (10-20-20-20-20-10%).
 - Contributed to excess growth in corporate income tax revenue.
- OBBB Changes
 - Domestic expenditures may be expensed starting in 2025.
 - Remaining unamortized expenses capitalized under TCJA may be
 - Deducted in 2025
 - Deducted over two-year period 2025-2026
 - Continue capitalizing
 - Small business taxpayers can amend 2022 – 2024 returns to claim a full deduction.
 - Maine policymakers can consider a range of options. Full conformity involves a very large upfront revenue loss.
 - JCT score FY 2025 – 2027 is \$53.8B, \$33.6B, and \$20.5B.
 - Changes involve timing of deduction only.



2025 Research Expense Deduction Example

Share of Domestic Research Expenses Deducted in 2025 by Year Expenses Incurred

Corporation elects to deduct all unamortized expenses in 2025

	Year Expenses Incurred			
	2022	2023	2024	2025
Pre-OBDD Law	20%	20%	20%	10%
OBDD	50%	70%	90%	100%
Change	30%	50%	70%	90%



Other Federal Changes With Conformity Implications in 2025

- Increase the standard deduction.
 - \$750 single/\$1,500 married increase in 2025.
 - Under current law, the Maine standard deduction equals the federal standard deduction (as of 12/31/24 law) in 2025.
 - Starting in 2026, Maine law has already decoupled from the federal standard deduction.
- 100% first-year depreciation for real property used for producing tangible personal property
- Change to the business interest deduction limitation (introduced in TCJA)
- Increase in Section 179 deduction limits.
- Several smaller items
- OBBA makes 100% bonus depreciation permanent. However, Maine has already decoupled, and therefore updating the conformity date does not allow bonus depreciation absent other changes.



Federal Changes With Conformity Implications After 2025

- Charitable contribution deduction for non-itemizers
- Opportunity zones
- Enhancement of child and dependent care tax credit
- Exclusion of employer payments of student loans
- Extension of several TCJA revenue raisers that were scheduled to expire, including certain itemized deduction limitations and disallowance of moving expense deduction in most cases.
- Repeal of QBAI exemption from GILTI
- 1% floor on corporate charitable contribution deduction
- Many others (>50 conformity items total)

