1) Administrative Provisions

Loring Job Increment Financing Fund. The law is changed to allow an estimated advance payment of employment tax increment funds to the Loring Development Authority at any time during the 12-month period preceding the statutorily required payment date of July 31, 2020, if directed by the Governor or if recommended by the Commissioner of the Department of Economic and Community Development (DECD) and approved by the Commissioner of the Department of Administrative and Financial Services (DAFS). The advance payment cannot exceed the greater of the expected payment amount for the year or the amount paid during July 2019. Effective June 18, 2019. 5 M.R.S. § 13080-S(3); LD 1835; P.L. 2019, c. 356.

Office of Program Evaluation and Government Accountability (OPEGA) review of the Pine Tree Development Zone Program. The requirement that OPEGA complete a review of the Pine Tree Development Zone program is amended to remove the requirement that the review be completed by January 15, 2021. Effective September 19, 2019. 30-A M.R.S. § 5250-P(2); LD 1629; P.L. 2019, c. 305.

Disclosure of tax information. Several changes were made regarding disclosure of certain confidential tax information as follows:

- The exception to the general confidentiality laws that authorizes Maine Revenue Services (MRS) to disclose to the Department of Inland Fisheries and Wildlife information necessary to administer the repealed Maine fishery infrastructure investment credit under 36 M.R.S. § 5216-D is also repealed. Effective September 19, 2019. 36 M.R.S. § 191(2)(WW); LD 1798; P.L. 2019, c. 401, Pt. C, § 4.

- Exceptions to the general confidentiality laws are added that authorizes MRS to: 1) divulge to DECD information necessary for the administration of the credit for major food processing and manufacturing facility expansions and 2) divulge to the Joint Standing Committee on Taxation the revenue loss attributable to each taxpayer claiming the credit, regardless of the number of persons eligible for the credit. Effective June 19, 2019. 36 M.R.S. §§ 191(2)(HHH) and 191(2)(III); LD 1586; P.L. 2019, c. 386, § 1.

- An exception to the general confidentiality laws is added that allows the disclosure of confidential tax information to an authorized representative of the Public Utilities Commission for use in the administration and oversight of the E-9-1-1 funding, the state universal service fund and the telecommunications education access fund. Effective September 19, 2019. 36 M.R.S. § 191(2)(HHH); LD 1798; P.L. 2019, c. 401, Pt. E.
**Background investigations requirements.** The requirement that background investigations be performed on potential new employees and contractors of MRS with a business need to access federal tax information is expanded to require that background investigations be performed on all employees of MRS and on the employees, contractors, and subcontractors of another Maine state agency whose duties involve access, or the substantial possibility of access, to federal tax information obtained from MRS. Effective June 17, 2019. 36 M.R.S. § 194-D; LD 1001; P.L. 2019, c. 343, Pt. G, Sec. 13.

**Reporting requirements.** The State Tax Assessor must annually report to OPEGA and to the Joint Standing Committee on Taxation, by April 1, the revenue loss associated with each credit claimed for major food processing and manufacturing facility expansions. Effective June 19, 2019. 36 M.R.S. § 5219-VV; LD 1586; P.L. 2019, c. 386, § 2.

**State Economist.** All statutory references are updated to reflect the change begun by Public Law 2017, c. 284, which transferred the position of the State Economist from the Governor’s Office of Policy and Management to the Department of Administrative and Financial Services Office of the Commissioner. Also, the requirement that the State Economist assist DECD in reviewing taxpayer eligibility for the Employment Tax Increment Financing Program is repealed. LD 1001; P.L. 2019, c. 343, Pt. IIII.

2) **General**

**Study – Credit for certain homestead modifications (aka “AccessAble Home Tax Credit”).** The Maine State Housing Authority is directed to work with local housing authorities and interested groups to study the effectiveness of the credit for certain homestead modifications and to identify additional programs, funding, and taxpayer assistance necessary to meet the home modification needs of older and disabled individuals. The Authority must conduct the study with reference to geographical areas of the State and must submit its findings to the Joint Standing Committee on Labor and Housing and the Joint Standing Committee on Taxation by January 5, 2020. LD 1131; Resolves 2019, c. 50.

**Study – Consolidation of payment of cost-of-living tax credits.** A working group consisting of nine members appointed by the Associate Commissioner of the Office of Tax Policy is established to study the most efficient and effective way to consolidate application and payment of cost-of-living tax credits, including recommendations for making such payments on a periodic advance basis. Cost-of-living tax credits include the sales tax fairness credit, property tax fairness credit, the credit for child care expenses, the credit for adult dependent care expenses, and other credits identified by the working group. The working group must convene no later than October 15, 2019 and must submit the results of its study and suggested legislative language necessary to implement the recommendations of the group to the Joint Standing Committee on Taxation and the Joint Standing Committee on Appropriations and Financial Affairs by February 1, 2020. LD 1491; Resolves 2019, c. 74.

**Study – Feasibility of creating basic income security.** The Committee to Study Feasibility of Creating Basic Income Security is established to examine and make recommendations on the
feasibility of providing basic economic security through a direct cash payment system and other programs designed to help individuals and families become more economically secure. The study must consider tax rebates and credits, strengthening the earned income tax credit, a negative income tax, universal basic income and unconditional cash transfers to Maine residents and other direct cash benefit programs. The Committee must submit its findings and recommendations by November 4, 2020, for presentation to the First Regular Session of the 130th Legislature. LD 1324; Resolves 2019, c. 82.

**Working Group to improve performance of Department of Health and Human Services (DHHS) programs and systems to alleviate poverty, food insecurity and hardship.** The Commissioner of DHHS is directed to convene a working group to review and make recommendations to improve the operations of systems and programs administered by DHHS that provide services to persons in need and to determine the extent to which DHHS could facilitate enrollment in benefit programs administered by other agencies of State Government, including the property tax fairness credit administered by MRS. LD 1774; P.L. 2019, c. 485, § 7.

**Conformity.** References to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 are updated to refer to the United States Internal Revenue Code of 1986 as amended through December 31, 2018. The changes apply to tax years beginning on or after January 1, 2018 and for any prior tax year as specifically provided by the United States Internal Revenue Code of 1986 as amended. 36 M.R.S. § 111(1-A); LD 1744, P.L. 2019, c. 233.

### 3) Individual Income Tax

**Changes applicable to tax years beginning 2018**

**Partnership audit adjustments.** For tax years beginning on or after January 1, 2018, a partnership that has not elected out of the federal centralized audit regime under Internal Revenue Code, Section 6221(b) and is subject to an IRS audit must report information affecting the Maine tax liability of its partners to the assessor within 180 days from the final determination date of the audit. A pass-through entity that is a partner in an audited partnership is also subject to the reporting requirement with respect to the portion of adjustments applicable to that partner. In some cases, the partnership could be subject to tax on some or all of the audit adjustments at the partnership level. 36 M.R.S. c. 815, sub-c. 2; LD 1819; P.L. 2019, c. 380.

**Changes applicable to tax years beginning 2019**

**Municipal bond interest – broadband services.** Municipal bonds issued under 30-A M.R.S. c. 213, including those used to finance community broadband systems are exempt from tax in the State. Effective September 19, 2019. 30-A M.R.S. § 5413; LD 1063; P.L. 2019, c. 108.

**Use tax (sales tax) reporting on Maine individual income tax returns.** For tax years beginning on or after January 1, 2019, the calculation used to report unpaid use tax on the Maine individual income tax return is lowered from .08% to .04% of Maine adjusted gross income. 36 M.R.S. § 1861-A; LD 1452; P.L. 2019, c. 441, § 6.
Maine taxable income. The law is changed to clarify that federal adjusted gross income, as defined by the Internal Revenue Code and affected by unallocated federal law, is used to calculate Maine taxable income. 36 M.R.S. § 5121; LD 1817; P.L. 2019, c. 379, Pt. C, § 2.

MainePERS pick-up contributions subtraction modification. Clarification is made that pick-up contributions distributed by the Maine Public Employees Retirement System in the form of a rollover may be subtracted from Maine income fully or in part for up to three years beginning with the year of the rollover. The total amount subtracted over the three-year period may not exceed the pick-up contributions that have been previously taxed by Maine. 36 M.R.S. § 5122(2)(E); LD 1817; P.L. 2019, c. 379, Pt. C, § 3.

Municipal volunteer program for property tax assistance subtraction modification. The $750 limitation on benefit earnings under the municipal volunteer property tax assistance program is increased to $1,000 or 100 times the state minimum hourly wage under Title 26, section 664, subsection 1, whichever is greater. To the extent included in federal adjusted gross income, the benefits earned may be deducted to calculate Maine taxable income (36 M.R.S. §§ 5122(2)(EE)) and 36 M.R.S. § 6232(1-A); LD 62; P.L. 2019, c. 36.

Installment sales of real or tangible property – nonresident individuals. For tax years beginning on or after January 1, 2019, nonresident individual taxpayers may elect to recognize the entire gain or loss from an installment sale of real or tangible property located in Maine in the taxable year of the transfer or the remaining gain or loss in a subsequent taxable year to the extent the gain or loss has not been reported in a previous tax year. The election is irrevocable and may only be made on a timely filed original income tax return. 36 M.R.S. § 5147; LD 1798; P.L. 2019, c. 401, Pt. C, § 7.

Apportionment of Income – sale of a partnership interest. For tax years beginning on or after January 1, 2019, the income tax apportionment calculation with respect to the sale of a partnership interest owned by another business entity (C corporation, S corporation, partnership, etc.) must be based on the gross receipts, rather than on the gains or losses, from such sales. This change is made to effect consistency with the general business apportionment calculation, which is based on gross receipts. 36 M.R.S. § 5211(16-A)(F); LD 1798; P.L. 2019, c. 401, Pt. C, § 9.

Apportionment of income – mutual fund service providers. For tax years beginning on or after January 1, 2019, the special apportionment calculation election for mutual fund service providers is repealed. 36 M.R.S. § 5212 and 30-A M.R.S. §§ 5250-I (8) and 5250-I(11-B); LD 1798; P.L. 2019, c. 401, Pt. C, §§ 2, 3, and 10.

Maine fishery infrastructure investment tax credit. For tax years beginning on or after January 1, 2019, the Maine fishery infrastructure investment tax credit is repealed. 36 M.R.S. § 5216-D; LD 1798; P.L. 2019, c. 401, Pt. C, §§ 1, 4, 5, and 11.

Educational Opportunity Tax Credit. The law clarifies that active duty service members who are domiciled in Maine remain eligible for the educational opportunity tax credit if assigned to active military duty outside Maine, as long as they otherwise qualify for the credit. This provision is retroactive to tax years beginning on or after January 1, 2013. 36 M.R.S. § 5217-
Credit for rehabilitation of historic properties after 2007 – certified affordable housing project. The law clarifies that any increase in the 30% credit rate for certified affordable housing projects is increased on the basis of the rate in effect in the calendar year prior to the year the State Tax Assessor is notified of the required increase by the Maine Historic Preservation Commission and the Maine State Housing Authority. The credit rate may not be increased to more than 35% and any increase applies to tax years beginning in the year of notification and to any subsequent tax year. 36 M.R.S. § 5219-BB(3); LD 1817; P.L. 2019, c. 379, Pt. C, § 4.

New markets tax credit. The law is changed to prohibit the payment of interest on refunds issued relative to the new markets tax credit when the refund is delayed due to the fiscal year spending cap on the credit. Effective September 19, 2019. 36 M.R.S. § 5219-HH; LD 1798, c. 401, Pt. C, § 13.

Changes applicable to tax years beginning 2020

ABLE savings account subtraction modification. For tax years beginning on or after January 1, 2020, earnings on funds held in a qualified Achieving a Better Life Experience (ABLE) account are deductible in calculating Maine taxable income. 36 M.R.S. 5122(2)(QQ); LD 1637; P.L. 2019, c. 348.

Bonus depreciation / Maine capital investment credit. For property placed in service during a tax year beginning on or after January 1, 2020, the bonus depreciation addition modification with respect to property for which the Maine capital investment credit is claimed (36 M.R.S. § 5122(1)(KK)(1)) may be recaptured in future tax years over the life of the asset. Thus, affected property may, for Maine tax purposes, qualify for both regular depreciation and the Maine capital investment credit. See below for changes made to the Maine capital investment credit. See 36 M.R.S. §§ 5122(2)(QQ) and 5219-NN; LD 1671; P.L. 2019, c. 527, Pt. A, § 2.

Student loan payment subtraction modification. For tax years beginning on or after January 1, 2020, a qualified health care employee (generally, an individual who is licensed as a registered nurse, practical nurse, osteopathic physician, or to practice medicine or surgery and is employed by a hospital in Maine) may claim, to the extent included in the employee’s federal adjusted gross income, the income subtraction modification for student loan payments made by an employer directly to the lender. The modification may not be claimed for any loan payment amounts subtracted under 36 M.R.S. § 5122(2)(FF). 36 M.R.S. § 5122(2)(QQ); LD 1028; P.L. 2019, c. 530, Pt. C, § 1.

Property tax fairness credit. For tax years beginning on or after January 1, 2020, the property tax fairness credit is increased to 100% of the benefit base that is greater than 5% (previously 6%) of the individual’s income, up to $750 ($1,200 for individuals 65 years of age or older). 36 M.R.S. § 5219-KK; LD 1001; P.L. 2019, c. 343, Pt. H, §§ 5 and 6.
**Earned income credit.** For tax years beginning on or after January 1, 2020, the Maine earned income credit is increased from 5% to 12% of the federal earned income tax credit (25% for eligible individuals who do not have a qualifying child). The credit is also extended to individuals who are 18 to 24 years of age, have no qualifying children, and are otherwise qualified for the federal earned income tax credit. 36 M.R.S. §5219-S; LD 1671; P.L. 2019, c. 527, Pt. B, §§ 2 and 3.

**Maine capital investment credit.** For property placed in service in Maine during a tax year beginning on or after January 1, 2020, the Maine capital investment credit is reduced to 1.2% of the bonus depreciation addition modification required with respect to that property under 36 M.R.S. § 5122(1)(KK)(1). See discussion above regarding the recapture of the bonus depreciation addition modification in future tax years. 36 M.R.S. § 5219-NN; LD 1671, PL 2019, c. 527, Pt. A, § 6.

**Maine Children’s Cancer Research Fund.** For tax years beginning on or after January 1, 2020, a new voluntary contribution check-off is added to the Maine individual income tax form, Schedule CP, for the Maine Children’s Cancer Research Fund. The purpose of the fund is to provide grants and other funding to support children’s cancer research provided by research facilities in Maine that operate children’s cancer programs. 36 M.R.S. §§ 5283-A and 5292; LD 1044; P.L. 2019, c. 433.

**Changes applicable to tax years beginning 2022**

**Tax credit for major food processing and manufacturing facility expansions.** A refundable income tax credit may be claimed by a qualified business for the construction, or expansion of, a food processing and manufacturing facility, plant or mill in Maine that processes, produces and manufactures food from agricultural products primarily grown and harvested in Maine. A qualified business must be certified by DECD and must: 1) have been headquartered in Maine for a period of at least 5 years prior to applying for a certificate of approval; 2) make a qualified investment of at least $35,000,000 within 5 years of applying for a certificate of approval; 3) pay an annual income derived from employment to at least 75% of its employees that exceeds the annual per capita personal income in the county where the facility is located; and 4) employ at least 40 full-time employees in the State over the base level of employment for each of the first three years for which the credit is claimed (60 full-time employees each year after the third year of claiming the credit). The credit must be claimed over a period of 20 years beginning with the first full tax year following the year the taxpayer receives a certificate of completion or the tax year beginning January 1, 2022, whichever is later. The annual credit amount is equal to 1.8% of the taxpayer’s qualified investment. A credit is not allowed for any tax year following two consecutive tax years during which the certified applicant’s ordinary business income was not between $5,500,000 and $12,000,000. The aggregate credit allowed with respect to each certificate may not exceed $34,000,000. Additional restrictions and recapture provisions apply.

By March 1st of each year, a certified applicant must file a report with DECD that includes the number of full-time employees based in Maine on the last day of the tax year ending during the calendar year immediately preceding the report year and the incremental amount of qualified investment made in the report year.
By April 1st of each year, DECD must submit a report to OPEGA and to the Joint Standing Committee on Taxation that includes aggregate data on employment levels and qualified investment amounts with respect to taxpayers receiving a certificate of approval. In addition, the State Tax Assessor must report the revenue loss associated with each taxpayer credit claim. To accommodate the assessor’s reporting requirement, an exception to the general confidentiality laws authorizes MRS to divulge to the Joint Standing Committee on Taxation the revenue loss attributable to each taxpayer claiming the credit.

Effective June 19, 2019.

36 M.R.S. §§ 191(2)(HHH), 191(2)(III), and 5219-VV; LD 1586; PL 2019, c. 386.

4) Fiduciary Income Tax

Changes applicable to tax years beginning 2018

Partnership audit adjustments. For tax years beginning on or after January 1, 2018, a partnership that has not elected out of the federal centralized audit regime under Internal Revenue Code, Section 6221(b) and is subject to an IRS audit must report information affecting the Maine tax liability of its partners to the assessor within 180 days from the final determination date of the audit. A pass-through entity that is a partner in an audited partnership is also subject to the reporting requirement with respect to the portion of adjustments applicable to that partner. In some cases, the partnership could be subject to tax on some or all of the audit adjustments at the partnership level. 36 M.R.S. c. 815, sub-c. 2; LD 1819; P.L. 2019, c. 380.

Changes applicable to tax years beginning 2019

Municipal bond interest – broadband services. Municipal bonds issued under 30-A M.R.S. c. 213, including those used to finance community broadband systems are exempt from tax in the State. Effective September 19, 2019. 30-A M.R.S. § 5413; LD 1063; P.L. 2019, c. 108.

MainePERS pick-up contributions subtraction modification. Clarification is made that pick-up contributions distributed by the Maine Public Employees Retirement System in the form of a rollover may be subtracted from Maine income fully or in part for up to three years beginning with the year of the rollover. The total amount subtracted over the three-year period may not exceed the pick-up contributions that have been previously taxed by Maine. 36 M.R.S. § 5122(2)(E); LD 1817; P.L. 2019, c. 379, Pt. C, § 3.

Installment sales of real or tangible property – nonresident individuals. For tax years beginning on or after January 1, 2019, nonresident individual taxpayers may elect to recognize the entire gain or loss from an installment sale of real or tangible property located in Maine in the taxable year of the transfer or the remaining gain or loss in a subsequent taxable year to the extent the gain or loss has not been reported in a previous tax year. The election is irrevocable and may only be made on a timely filed original income tax return. 36 M.R.S. § 5147; LD 1798; P.L. 2019, c. 401, Pt. C, § 7.
Apportionment of Income – sale of a partnership interest. For tax years beginning on or after January 1, 2019, the income tax apportionment calculation with respect to the sale of a partnership interest owned by another business entity (C corporation, S corporation, partnership, etc.) must be based on the gross receipts, rather than on the gains or losses, from such sales. This change is made to effect consistency with the general business apportionment calculation, which is based on gross receipts. 36 M.R.S. § 5211(16-A)(F); LD 1798; P.L. 2019, c. 401, Pt. C, § 9.

Apportionment of income – mutual fund service providers. For tax years beginning on or after January 1, 2019, the special apportionment calculation election for mutual fund service providers is repealed. 36 M.R.S. § 5212 and 30-A M.R.S. §§ 5250-I (8) and 5250-I(11-B); LD 1798; P.L. 2019, c. 401, Pt. C, §§ 2, 3, and 10.

Maine fishery infrastructure investment tax credit. For tax years beginning on or after January 1, 2019, the Maine fishery infrastructure investment tax credit is repealed. 36 M.R.S. § 5216-D; LD 1798; P.L. 2019, c. 401, Pt. C, §§ 1, 4, 5, and 11.

Credit for rehabilitation of historic properties after 2007 – certified affordable housing project. The law clarifies that any increase in the 30% credit rate for certified affordable housing projects is increased on the basis of the rate in effect in the calendar year prior to the year the State Tax Assessor is notified of the required increase by the Maine Historic Preservation Commission and the Maine State Housing Authority. The credit rate may not be increased to more than 35% and any increase applies to tax years beginning in the year of notification and to any subsequent tax year. 36 M.R.S. § 5219-BB(3); LD 1817; P.L. 2019, c. 379, Pt. C, § 4.

New markets tax credit. The law is changed to prohibit the payment of interest on refunds issued relative to the new markets tax credit when the refund is delayed due to the fiscal year spending cap on the credit. Effective September 19, 2019. 36 M.R.S. § 5219-HH; LD 1798, c. 401, Pt. C, § 13.

Changes applicable to tax years beginning 2020

ABLE savings account subtraction modification. For tax years beginning on or after January 1, 2020, earnings on funds held in a qualified Achieving a Better Life Experience (ABLE) account are deductible in calculating Maine taxable income. 36 M.R.S. 5122(2)(QQ); LD 1637; P.L. 2019, c. 348.

Bonus depreciation / Maine capital investment credit. For property placed in service during a tax year beginning on or after January 1, 2020, the bonus depreciation addition modification with respect to property for which the Maine capital investment credit is claimed (36 M.R.S. § 5122(1)(KK)(1)) may be recaptured in future tax years over the life of the asset. Thus, affected property may, for Maine tax purposes, qualify for both regular depreciation and the Maine capital investment credit. See below for changes made to the Maine capital investment credit. See 36 M.R.S. §§ 5122(2)(QQ) and 5219-NN; LD 1671; P.L. 2019, c. 527, Pt. A, § 2.
Maine capital investment credit. For property placed in service in Maine during a tax year beginning on or after January 1, 2020, the Maine capital investment credit is reduced to 1.2% of the bonus depreciation addition modification required with respect to that property under 36 M.R.S. § 5122(1)(KK)(1). See discussion above regarding the recapture of the bonus depreciation addition modification in future tax years. 36 M.R.S. § 5219-NN; LD 1671, PL 2019, c. 527, Pt. A, § 6.

Changes applicable to tax years beginning 2022

Tax credit for major food processing and manufacturing facility expansions. A refundable income tax credit may be claimed by a qualified business for the construction, or expansion of, a food processing and manufacturing facility, plant or mill in Maine that processes, produces and manufactures food from agricultural products primarily grown and harvested in Maine. A qualified business must be certified by DECD and must: 1) have been headquartered in Maine for a period of at least 5 years prior to applying for a certificate of approval; 2) make a qualified investment of at least $35,000,000 within 5 years of applying for a certificate of approval; 3) pay an annual income derived from employment to at least 75% of its employees that exceeds the annual per capita personal income in the county where the facility is located; and 4) employ at least 40 full-time employees in the State over the base level of employment for each of the first three years for which the credit is claimed (60 full-time employees each year after the third year of claiming the credit). The credit must be claimed over a period of 20 years beginning with the first full tax year following the year the taxpayer receives a certificate of completion or the tax year beginning January 1, 2022, whichever is later. The annual credit amount is equal to 1.8% of the taxpayer’s qualified investment. A credit is not allowed for any tax year following two consecutive tax years during which the certified applicant’s ordinary business income was not between $5,500,000 and $12,000,000. The aggregate credit allowed with respect to each certificate may not exceed $34,000,000. Additional restrictions and recapture provisions apply.

By March 1st of each year, a certified applicant must file a report with DECD that includes the number of full-time employees based in Maine on the last day of the tax year ending during the calendar year immediately preceding the report year and the incremental amount of qualified investment made in the report year.

By April 1st of each year, DECD must submit a report to OPEGA and to the Joint Standing Committee on Taxation that includes aggregate data on employment levels and qualified investment amounts with respect to taxpayers receiving a certificate of approval. In addition, the State Tax Assessor must report the revenue loss associated with each taxpayer credit claim. To accommodate the assessor’s reporting requirement, an exception to the general confidentiality laws authorizes MRS to divulge to the Joint Standing Committee on Taxation the revenue loss attributable to each taxpayer claiming the credit.

Effective June 19, 2019.

36 M.R.S. §§ 191(2)(HHH), 191(2)(III), and 5219-VV; LD 1586; PL 2019, c. 386.
5) Corporate Income Tax

Changes applicable to tax years beginning 2018

Partnership audit adjustments. For tax years beginning on or after January 1, 2018, a partnership that has not elected out of the federal centralized audit regime under Internal Revenue Code, Section 6221(b) and is subject to an IRS audit must report information affecting the Maine tax liability of its partners to the assessor within 180 days from the final determination date of the audit. A pass-through entity that is a partner in an audited partnership is also subject to the reporting requirement with respect to the portion of adjustments applicable to that partner. In some cases, the partnership could be subject to tax on some or all of the audit adjustments at the partnership level. 36 M.R.S. c. 815, sub-c. 2; LD 1819; P.L. 2019, c. 380.

Changes applicable to tax years beginning 2019

Municipal bond interest – broadband services. Municipal bonds issued under 30-A M.R.S. c. 213, including those used to finance community broadband systems are exempt from tax in the State. Effective September 19, 2019. 30-A M.R.S. § 5413; LD 1063; P.L. 2019, c. 108.

Apportionment of Income – sale of a partnership interest. For tax years beginning on or after January 1, 2019, the income tax apportionment calculation with respect to the sale of a partnership interest owned by another business entity (C corporation, S corporation, partnership, etc.) must be based on the gross receipts rather than on the gains or losses from such sales. This change is made to effect consistency with the general business apportionment calculation, which is based on gross receipts. 36 M.R.S. § 5211(16-A)(F); LD 1798; P.L. 2019, c. 401, Pt. C, § 9.

Apportionment of income – mutual fund service providers. For tax years beginning on or after January 1, 2019, the special apportionment calculation election for mutual fund service providers is repealed. 36 M.R.S. § 5212 and 30-A M.R.S. §§ 5250-I (8) and 5250-I(11-B); LD 1798; P.L. 2019, c. 401, Pt. C, §§ 2, 3, and 10.

Maine fishery infrastructure investment tax credit. For tax years beginning on or after January 1, 2019, the Maine fishery infrastructure investment tax credit is repealed. 36 M.R.S. § 5216-D; LD 1798; P.L. 2019, c. 401, Pt. C, §§ 1, 4, 8, and 11.

Credit for rehabilitation of historic properties after 2007 – certified affordable housing project. The law clarifies that any increase in the 30% credit rate for certified affordable housing projects is increased on the basis of the rate in effect in the calendar year prior to the year the State Tax Assessor is notified of the required increase by the Maine Historic Preservation Commission and the Maine State Housing Authority. The credit rate may not be increased to more than 35% and any increase applies to tax years beginning in the year of notification and to any subsequent tax year. 36 M.R.S. § 5219-BB(3); LD 1817; P.L. 2019, c. 379, Pt. C, § 4.

New markets tax credit. The law is changed to prohibit the payment of interest on refunds issued relative to the new markets tax credit when the refund is delayed due to the fiscal year

Changes applicable to tax years beginning in 2020

**Bonus depreciation / Maine capital investment credit.** For property placed in service during a tax year beginning on or after January 1, 2020, the bonus depreciation addition modification with respect to property for which the Maine capital investment credit is claimed (36 M.R.S. § 5200-A(1)(CC)(1)) may be recaptured in future tax years over the life of the asset. Thus, affected property may, for Maine tax purposes, qualify for both regular depreciation and the Maine capital investment credit. See below for changes made to the Maine capital investment credit. See 36 M.R.S. §§ 5200-A(2)(FF) and 5219-NN; LD 1671; P.L. 2019, c. 527, Pt. A, § 4.

**Maine capital investment credit.** For property placed in service in Maine during a tax year beginning on or after January 1, 2020, the Maine capital investment credit is reduced to 1.2% of the bonus depreciation addition modification required with respect to that property under 36 M.R.S. § 5200-A(1)(CC)(1). See discussion above regarding the recapture of the bonus depreciation addition modification in future tax years. 36 M.R.S. § 5219-NN; LD 1671, PL 2019, c. 527, Pt. A, § 6.

Changes applicable to tax years beginning 2022

**Tax credit for major food processing and manufacturing facility expansions.** A refundable income tax credit may be claimed by a qualified business for the construction, or expansion of, a food processing and manufacturing facility, plant or mill in Maine that processes, produces and manufactures food from agricultural products primarily grown and harvested in Maine. A qualified business must be certified by DECD and must: 1) have been headquartered in Maine for a period of at least 5 years prior to applying for a certificate of approval; 2) make a qualified investment of at least $35,000,000 within 5 years of applying for a certificate of approval; 3) pay an annual income derived from employment to at least 75% of its employees that exceeds the annual per capita personal income in the county where the facility is located; and 4) employ at least 40 full-time employees in the State over the base level of employment for each of the first three years for which the credit is claimed (60 full-time employees each year after the third year of claiming the credit). The credit must be claimed over a period of 20 years beginning with the first full tax year following the year the taxpayer receives a certificate of completion or the tax year beginning January 1, 2022, whichever is later. The annual credit amount is equal to 1.8% of the taxpayer’s qualified investment. A credit is not allowed for any tax year following two consecutive tax years during which the certified applicant’s ordinary business income was not between $5,500,000 and $12,000,000. The aggregate credit allowed with respect to each certificate may not exceed $34,000,000. Additional restrictions and recapture provisions apply.

By March 1st of each year, a certified applicant must file a report with DECD that includes the number of full-time employees based in Maine on the last day of the tax year ending during the calendar year immediately preceding the report year and the incremental amount of qualified investment made in the report year.
By April 1st of each year, DECD must submit a report to OPEGA and to the Joint Standing Committee on Taxation that includes aggregate data on employment levels and qualified investment amounts with respect to taxpayers receiving a certificate of approval. In addition, the State Tax Assessor must report the revenue loss associated with each taxpayer credit claim. To accommodate the assessor’s reporting requirement, an exception to the general confidentiality laws authorizes MRS to divulge to the Joint Standing Committee on Taxation the revenue loss attributable to each taxpayer claiming the credit.

Effective June 19, 2019.

36 M.R.S. §§ 191(2)(HHH), 191(2)(III), and 5219-VV; LD 1586; PL 2019, c. 386.

6) Franchise Tax

Changes applicable to tax years beginning 2019

Maine fishery infrastructure investment tax credit. For tax years beginning on or after January 1, 2019, the Maine fishery infrastructure investment tax credit is repealed. 36 M.R.S. § 5216-D; LD 1798; P.L. 2019, c. 401, Pt. C, §§ 1, 4, 8, and 11.

Credit for rehabilitation of historic properties after 2007 – certified affordable housing project. The law clarifies that any increase in the 30% credit rate for certified affordable housing projects is increased on the basis of the rate in effect in the calendar year prior to the year the State Tax Assessor is notified of the required increase by the Maine Historic Preservation Commission and the Maine State Housing Authority. The credit rate may not be increased to more than 35% and any increase applies to tax years beginning in the year of notification and to any subsequent tax year. 36 M.R.S. § 5219-BB(3); LD 1817; P.L. 2019, c. 379, Pt. C, § 4.

New markets tax credit. The law is changed to prohibit the payment of interest on refunds issued relative to the new markets tax credit when the refund is delayed due to the fiscal year spending cap on the credit. Effective September 19, 2019. 36 M.R.S. § 5219-HH; LD 1798, c. 401, Pt. C, § 13.

7) Pass-through Entities

Apportionment of Income – sale of a partnership interest. For tax years beginning on or after January 1, 2019, the income tax apportionment calculation with respect to the sale of a partnership interest owned by another business entity (corporation, limited liability company, partnership, etc.) must be based on the gross receipts, rather than on the gains or losses, from such sales. This change is made to effect consistency with the general business apportionment calculation, which is based on gross receipts. 36 M.R.S. § 5211(16-A)(F); LD 1798; P.L. 2019, c. 401, Pt. C, § 9.
Partnership audit adjustments. For tax years beginning on or after January 1, 2018, a partnership that has not elected out of the federal centralized audit regime under Internal Revenue Code, Section 6221(b) and is subject to an IRS audit must report information affecting the Maine tax liability of its partners to the assessor within 180 days from the final determination date of the audit. A pass-through entity that is a partner in an audited partnership is also subject to the reporting requirement with respect to the portion of adjustments applicable to that partner. In some cases, the partnership could be subject to tax on some or all of the audit adjustments at the partnership level. 36 M.R.S. c. 815, sub-c. 2; LD 1819; P.L. 2019, c. 380.

8) Withholding Tax

Fiscal agents. At the discretion of the State Tax Assessor, fiduciaries, agents and other persons who act as fiscal agents for federal income tax purposes on behalf of employers under Internal Revenue Code, Section 3504 may act in similar fashion for Maine income tax withholding purposes. Those fiduciaries, agents and persons are subject to the same requirements and liabilities as imposed on their client employers. Effective September 19, 2019. 36 M.R.S. § 5250(5); LD 1798; P.L. 2019, c. 401, Pt. C, § 14.

9) Sales/Use Tax

Collection requirements for marketplace facilitators. Title 36, section 1754-B requires all marketplace facilitators to register with the State of Maine to collect and remit the sales tax on all transactions and sales facilitated by that marketplace delivered into the State. A "marketplace facilitator" is defined as a person or entity that facilitates retail sales of tangible personal property or taxable services through a physical or electronic marketplace for marketplace sellers. Effective October 1, 2019.

Registration requirements for sellers. Title 36, section 1754-B, which governs the registration of sellers doing business in this State, has been repealed and replaced to align with the recent United States Supreme Court decision in *South Dakota v. Wayfair, Inc., et. al.*, which overturned the physical nexus requirement for seller registration. Effective October 1, 2019.

Provisional resale certificates – no longer "provisional". The law amends the provisions governing the issuance of resale certificates to remove the "provisional" resale certificate. All resale certificates, new or renewed, will be valid for four calendar years. Effective October 1, 2019.

Grocery staples. The law amends the definition of "grocery staple" to exclude any food product containing any amount of marijuana or a marijuana product. Effective June 7, 2019.

Tax exemption – commercial producers of maple syrup and honey. The definition of "commercial agricultural production" has been amended to include the production of maple
syrup and honey, thereby qualifying those commercial producers for the sales tax exemption under commercial agricultural production. LD 86, PL 2019, c. 7. Effective July 1, 2019.

**Tax exemption - sales of watercraft to certain nonprofit transportation companies.** The law provides a sales tax exemption for watercraft purchased by an incorporated nonprofit transportation company that operates pursuant to a written understanding with a municipality that the watercraft will be available at all times to transport emergency medical patients from an island to the mainland. LD 1001, PL 2019, c. 343, Pt. YYYY. Effective retroactively for purchases made on or after January 1, 2019.

**Tax exemption – oxygen delivery equipment.** The sales tax exemption for positive airway pressure equipment and supplies has been amended to include oxygen delivery equipment, retroactive for purchases made on or after January 1, 2012. LD 1798, PL 2019, c. 401, Pt. B.

**Use tax exemption – donated goods.** The law consolidates and aligns two similar use tax exemptions for the donation of merchandise to tax-exempt organizations. LD 1798, PL 2019, c. 401, Pt. B.

**Exclusion from retail sale – purchase of camper trailers and motor homes for rental or lease.** The exclusion from retail sale for the purchase of camper trailers and motor homes to be rented or leased has been clarified to require the subsequent rental be as tangible personal property and not as the rental of living quarters. The purchase of a camper trailer or motor home to be rented out as a rental of living quarters is a taxable sale. LD 1798, PL 2019, c. 401, Pt. B. Effective October 1, 2019.

**Sourcing rules.** The law enacts a new provision for the sourcing of the sale of tangible personal property and taxable services. The new provision aligns Maine's practice with that of the Streamlined Sales and Use Tax Agreement and codifies Maine's existing delivery rule. LD 1798, PL 2019, c. 401, Pt. B. Effective October 1, 2019.

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10) Hospital Tax

**Update to a hospital's taxable year.** For the fiscal years beginning on or after July 1, 2019, but before July 1, 2021, a hospital's taxable year will be the hospital's fiscal year that ended during the calendar year 2016. LD 1001, PL 2019, c. 343, Pt. EEE.

11) Blueberry Tax

**Blueberry Tax – recordkeeping, tracking and processing.** The law requires each shipper or processor reporting the blueberry tax to report the total number of pounds of wild blueberries processed, and grown in the State, as well as unprocessed wild blueberries imported into and/or exported out of the State. The law also requires the tax to be reported on wild blueberries imported from a destination outside the State. LD 1482, PL 2019, c. 222. Effective January 1, 2020.
12) Cigarette Tax

**Annual licensing requirements.** The requirement that a cigarette distributor annually renew their license has been repealed. LD 1817, PL 2019, c. 379.

13) Tobacco Products Tax

**Equalizing the tax on tobacco products.** The definition of "tobacco product" has been amended to include electronic smoking devices and the liquids used in those electronic smoking devices, whether they contain nicotine or not. The tax rate imposed on smoking tobacco has been increased to 43% of the wholesale sales price. The law also provides that, should the excise tax rate on cigarettes be increased in the future, the Assessor will equalize the tobacco excise tax rates at the same time. LD 1028, PL 2019, c. 530. Effective January 2, 2020.

**Annual licensing requirements.** The requirement that a tobacco products distributor or manufacturer annually renew their license has been repealed. LD 1817, PL 2019, c. 379.

14) Marijuana Excise Tax

**Taxation of Adult Use Marijuana and Marijuana Products.** The laws imposing an excise tax on adult use marijuana have been moved from Title 28-B (the "Marijuana Legalization Act") to Title 36 ("Taxation"). LD 1652, PL. 2019, c. 231. Effective June 7, 2019.

15) Property Tax

**Exemptions**

**Homestead exemption.** The law increases the homestead exemption from $20,000 to $25,000 for property tax years beginning on or after April 1, 2020. The law also increases the State reimbursement to municipalities from 62.5% to 70% of revenue lost due to the exemption, also for property tax years beginning on or after April 1, 2020. Effective June 17, 2019. LD 1001, PL 2019, c. 343.

**Renewable energy equipment.** The law exempts solar and wind energy equipment from property tax. A taxpayer claiming the exemption must file an application with the municipality in the first year the exemption is sought. MRS must work with a stakeholder group and report a procedure for renewable energy facility valuation to the Legislature by December 1, 2019. Effective September 19, 2019. LD 1430, PL 2019, c. 440.

**Partial exemption for the legally blind.** The law removes the provision allowing the $4,000 exemption for the legally blind to be apportioned among multiple jurisdictions. The exemption must now be claimed in the taxpayer’s place of residence. Effective September 19, 2019. LD 1798, PL 2019, c. 401.
State Valuation

State valuation. The 45-day period for municipalities to appeal adverse state valuation decisions to MRS is changed to a specific deadline of November 15. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

State valuation. The law allows adjustment to a municipality’s prior years’ state valuations for purposes of calculating current and ongoing state education payments. Municipalities may appeal adverse decisions to the State Board of Property Tax Review. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

State valuation. Notice of proposed state valuation is no longer required to be sent to municipalities through certified mail. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

Tax Assistance

Property tax relief. The law establishes the Property Tax Relief Fund for Maine Residents (replacing the Tax Relief Fund for Maine Residents) and requires the fund to be used to provide property tax relief payments directly to Maine residents whose residence qualifies for an exemption under the Maine homestead property tax exemption. When the fund reaches a target balance, the Treasurer of State is required, by March 1, to mail checks for the tax relief payment to each owner of a qualifying homestead. Effective September 19, 2019. LD 1713, PL 2019, c. 448.

Senior Volunteer Benefit program. This law increases the maximum allowable annual benefit municipalities may offer to volunteers 60 or older, from $750 to $1,000 or 100 times the state minimum wage, whichever is greater. Effective September 19, 2019. LD 62, PL 2019, c. 36.


Development Districts

Tax increment financing districts. The law expands the definition or approved project costs incurred outside a tax increment financing district to include all public safety facilities, rather than just fire stations. Effective September 19, 2019. LD 1122, PL 2019, c. 148.

Municipal development districts. The law allows development districts that are not tax increment financing districts to have no time limitation. Municipalities may also establish a duration of longer than 30 years for a development district that is not a tax increment financing district. 30 years is the duration limit for tax increment financing districts. Effective September 19, 2019. LD 746, PL 2019, c. 140.
**Municipal development districts.** The law expands the list of authorized project costs for development districts to include broadband service development, expansion, or improvement inside or outside of a TIF district. Effective September 19, 2019. LD 854, PL 2019, c. 260.

**Excise Tax**

**Motor vehicle excise tax.** Well drilling equipment attached to a motor vehicle used for business purposes is not subject to the excise tax. Instead, this equipment is subject to property tax and is eligible for the Business Equipment Tax Exemption program. Effective September 19, 2019. LD 873, PL 2019, c. 430.

**Mobile homes and camper trailers.** The definitions of mobile home and camper trailer are aligned with the definitions in sales tax law. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

**Excise tax.** The law is clarified to state that the credit for excise tax previously paid and the model year adjustment for certain vehicles is limited to instances when the previously paid excise tax is the Maine excise tax. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

**Unorganized Territory**

**Municipal deorganization.** The Legislature has approved a request by Magalloway Plantation to proceed with the deorganization of that municipality. Once the process is completed, Magalloway will become part of the unorganized territory, which is administered by the State. Effective September 19, 2019. LD 1568, P&SL 2019, c. 13.

**Municipal cost component.** This law is a routine annual process for establishing the costs of administering the unorganized territory of Maine. The costs approved by the Maine Legislature must be incorporated into the 2019 property tax levy in the unorganized territory. The unorganized territory property tax is collected as dedicated revenue to the Unorganized Territory Education and Services Fund. Effective September 19, 2019. LD 1643, PL 2019, c. 212.

**Conveyance of state interest in certain real estate in the unorganized territory.** This Resolve authorizes the State Tax Assessor to sell certain tax-acquired parcels located in the unorganized territory. Effective September 19, 2019. LD 1739, Resolves, 2019, c. 68.

**Real Estate Transfer Tax**

**Real estate transfer tax.** Nominal value, for purposes of calculating the real estate transfer tax, is defined as 20% of the assessed value for determining when the market value for property should be used. Effective September 19, 2019. LD 1798, PL 2019, c. 401.
Miscellaneous

Facsimile signature. The State Tax Assessor may use a facsimile signature at the assessor’s discretion. Previously, a facsimile was allowed only on specific documents. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

Tenants in common and joint tenants. A tenant in common or a joint tenant wishing to be considered a sole owner for tax purposes must notify the municipal assessor prior to the commitment of taxes. Previously the law did not impose a deadline for notification. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

Foreclosure. If a municipality agrees to sell a foreclosed homestead to the previous owner, the alternate sale process required by 36 M.R.S. § 943-C does not apply. Effective September 19, 2019. LD 1798, PL 2019, c. 401.

Delinquent taxes. The definition of delinquent taxes in the unorganized territory is aligned with that of municipalities, where taxes are delinquent if not paid by the due date. Effective September 19, 2019. LD 1798, PL 2019, c. 401.