Janet T. Mills
GOVERNOR

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

October 1, 2025

DETERMINATION AND DIRECTION OF THE GOVERNOR OF THE STATE OF MAINE

To: State Tax Assessor Gerard

From: Governor Mills

CC: Senator Matthea E.L. Daughtry
Representative Ryan D. Fecteau
Senator Teresa S. Pierce
Senator Harold "Trey" Stewart
Representative Matthew Moonen
Representative Billy Bob Faulkingham
Senator Nicole Grohoski
Representative Kristen Cloutier
Senator Peggy Rotundo
Representative Drew Gattine

Mr. Gerard:

I am in receipt of a Report on 2025 Conformity with Federal Tax Law Changes prepared by the Commissioner of the Department of Administrative and Financial Services (the "Report") which contains a description of the changes in federal income tax law contained in P.L. 119-21, the "One Big Beautiful Bill Act." A copy of the Commissioner's Report has been provided to you, and which is incorporated by reference herein.

That Report also includes a discussion of the provisions of P.L. 2025 c. 336, "An Act to Address the Effect of Changes in Federal Income Tax Laws on Maine Income Tax Laws," ("c. 336") which empowers the Commissioner to make a report concerning conformity with federal tax law changes, and the Governor to instruct you to adjust the administration of the tax laws accordingly.

I have reviewed the Report and have considered, among other factors, (a) the equitable administration of the tax laws, (b) the intent of the Legislature, as I understand it, from enacted Maine tax laws, (c) the projected budgetary implications of the provisions described in the Report, and (d) the importance of reducing the complexity of tax filing for taxpayers and for the Bureau.

I wish to stress that this is not the end of the discussion of conformity to the new federal law. Further guidance on whether and to what extent to conform with these adjustments as well as the federal law changes for 2026 and future years—and even, potentially, whether to retroactively conform to some less urgent but more costly items in 2025—will follow in due course, when we have more revenue and economic data to work with and when the Legislature is

in a position to address Maine's overall response. This determination relates only to provisions of the federal act that affect taxpayers as they file their 2025 tax returns, and is necessitated only by the urgent needs of tax administration for the 2025 tax year.

In light of the urgency of straightforward administration of the tax laws, the relatively modest budgetary impact of the proposed adjustments, their consistency with existing Maine income tax law, and the timing of the federal tax law changes and our analysis of said, I have prepared this Determination and Direction, and hereby direct you to adjust the administration of the tax laws in 2025 in the manner described in the "2025 Direction Recommendation" column of the chart below.

If you have any questions or concerns about this matter, please do not hesitate to contact me.

Sincerely,

Janet T. Mills

Governor

Tax Year 2025 Conformity Items: Estimated Revenue Impact (Millions) and Recommendation for 2025 Tax Forms

Provision	2025 Direction Recommendation	Tax Year 2025 Revenue Change**	Fiscal Year * 2026	2027	2028	2029
Qualified Disaster Loss	Conform	Negligible Loss		Negligible Loss		
Qualified Farm Property	Conform	Negligible Loss	-$0.27	-$0.94	-$0.84	-$0.46
Sec. 179 Expensing	Conform	-$2.0	-$2.0	-$1.8	-$1.5	-$1.3
Business Interest Deduction	Conform	-$6.8	-$5.9	-$4.9	-$4.2	-$3.9
R&D Expenses Allow small business amended returns only	Conform	-$4.7	-$3.6	-$1.1	-$0.0	-$0.0
Miscellaneous***	Conform	Negligible		Negligible		
Total Cost		**-$13.5**	**-$11.77**	**-$8.74**	**-$6.54**	**-$5.66**
R&D Expenses	Do not adopt					
TY 2025+ expenses only		-$58.5	-$52.1	-$49.7	-$38.7	-$27.6
Full conformity		-$136.0	-$111.1	-$30.9	-$20.5	-$11.9
Accelerated depreciation for qualified production property	Do not adopt	-$6.2	-$7.7	-$22.9	-$25.8	-$24.2
Increase in standard deduction****	Do not adopt	-$30.8	-$42.2	-$33.8	-$32.1	-$31.8
Bonus Depreciation	Do not adopt	-$102.8	-$92.6	-$75.0	-$45.3	-$33.3
Senior Exemption	Do not adopt	-$31.3	-$42.2	-$32.4	-$30.6	-$18.3
Car Loan Interest	Do not adopt	-$9.0	-$9.4	-$11.6	-$14.8	-$10.1
No Tax on Tips	Do not adopt	-$9.2	-$13.1	-$9.8	-$10.1	-$6.2
No Tax on Overtime	Do not adopt	-$27.8	-$39.4	-$29.4	-$30.6	-$18.8

* The fiscal year estimated revenue change corresponds to the scenario where 2025 Maine tax forms assume conformity and the Legislature conforms to provision in the upcoming session. The initial timing of the revenue loss will be different if the 2025 forms do not assume conformity but the Legislature eventually conforms to the provision.

**The tax year 2025 revenue loss will primarily be spread over fiscal years 2026 and 2027.

***Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts (distributions made after DOE); Spaceports are treated like airports under exempt facility bond rules (obligations issued after DOE); Treatment of certain qualified sound recording productions (commencing in tax years ending after DOE); Exclusion of interest on loans secured by rural or agricultural real property (tax years ending after DOE); ACRS/Energy Efficient property.

****Under current law, Maine decouples from the federal standard deduction starting in 2026. Therefore, updating the conformity date alone would only affect tax year 2025.