

Maine Revenue Services

2025 Income Tax

IMPORTANT UPDATE

Note: The instructions you are looking for begin on the next page.

Under current law, Maine conforms to the Internal Revenue Code (the “Code”) as of December 31, 2024, with some exceptions specifically contained in Maine income tax law. Federal Public Law 119-21, the federal One Big Beautiful Bill Act (“OBBA”), enacted on July 4, 2025, made several federal law changes, some of which would require changes to Maine income tax law in order for Maine to conform to the federal changes. These federal income tax law changes and their effect on Maine law are expected to be considered during the Second Regular Session of the 132nd Maine Legislature, which is scheduled to convene in January 2026.

When the Maine Legislature has not had the opportunity to conform or adjust Maine laws in response to federal income tax law changes, Maine Public Law 2025, chapter 336, permits the Governor to direct the State Tax Assessor (“Assessor”) to temporarily adjust the administration of the current tax filing season, pending potential enactment of conformity legislation by the Maine Legislature.

Governor Janet T. Mills has directed the State Tax Assessor to adopt the federal tax treatment for qualified disaster losses; sales of qualified farmland property; IRC Section 179 expensing; business interest deduction; research and experimental expenditures (to allow small business amended returns only); and other miscellaneous changes. See the conformity documents at maine.gov/revenue/taxes/tax-policy-office and the October #2 Maine Tax Alert at maine.gov/revenue/publications/maine-tax-alerts for additional detail.

The 2025 Maine income tax returns and instructions have been developed pursuant to the Governor’s directive but are contingent upon the enactment by the Legislature of legislation that addresses the Federal income tax law changes.

Taxpayers may choose to wait for enactment of legislation by the Maine Legislature that addresses the federal tax law changes by filing under extension pursuant to 36 M.R.S. §§ 5231 and 5295(4).

Returns submitted prior to any newly enacted Maine state legislation must be filed in a manner consistent with the guidance (forms, instructions, and other documentation) published by the Assessor in effect at the time of filing. If the Maine Legislature enacts legislation that subsequently addresses federal income tax law changes that conflict with the earlier published guidance, affected taxpayers will not be subject to interest or penalty for a resulting underpayment related to the variance. Additionally, any incorrect refund issued as a result of the earlier published guidance will not result in interest or penalty accruing prior to the date of enactment of that legislation. Affected taxpayers are required to file an amended return to address any conflicts.

FORM 1041ME - GENERAL INSTRUCTIONS

Maine Tax Portal (MTP). The MTP is an online application that allows Maine taxpayers to file tax returns and make payments electronically quickly, easily, and eliminates the need to file a paper Form 1041ME. File Form 1041ME electronically using the MTP at revenue.maine.gov.



WHO MUST FILE

The fiduciary or trustee of a resident or nonresident estate or trust, including a trust with unrelated business income reported on federal Form 990-T, must file Form 1041ME if the estate or trust has any:

- Maine taxable income greater than zero (federal taxable income plus or minus the fiduciary adjustment); or
- Gross income of \$10,000 or more for the taxable year (resident estate or trust) or both distributable net income derived from or connected with sources in this state and gross income of \$10,000 or more for the taxable year (nonresident estate or trust).

Gross income equals the amount on federal Form 1041, line 9 or federal Form 990-T, line 1. The Maine-source income of a nonresident estate or trust is determined on Form 1041ME, Schedule NR. A resident estate or trust with nonresident or safe harbor resident beneficiaries must also complete Form 1041ME, Schedule NR. See the instructions for Schedule NR. See *page 3 of the Maine individual income tax booklet for a description of nonresident and safe harbor resident*.

Note: Grantor Trusts and all Charitable Remainder Trusts are not required to file a Maine return.

FEDERAL RETURN REQUIRED

- **A completed copy of federal Form 1041 must accompany the Maine nonresident return.**
- **If the federal income (federal Form 1041, line 9) is greater than \$150,000, you must include the entire federal Form 1041 with Form 1041ME. For other returns that have a capital gain or loss, attach pages 1 through 3 and Schedule D of the federal return.**

DEFINITION OF RESIDENT AND NONRESIDENT ESTATE OR TRUST

A resident estate is the estate of a decedent who at death was domiciled in Maine. A resident testamentary trust is a trust which is created by the last will and testament of a decedent who at death was domiciled in Maine. Any estate or testamentary trust created by the will of a decedent who was not domiciled in the State of Maine at death shall be considered a nonresident estate or nonresident testamentary trust.

A resident irrevocable inter vivos trust is a trust which was created by or consisted of property of a person domiciled in Maine at the time it was funded. An irrevocable inter vivos trust will be classified as a nonresident trust if the creator of the trust is not domiciled in Maine when funded.

If the settlor of a revocable inter vivos trust is domiciled in Maine when the trust is created, the trust is considered a resident inter vivos trust until the settlor becomes domiciled in another state. A nonresident revocable inter vivos trust will become a resident trust if and when the creator of the trust becomes domiciled in Maine.

QUALIFIED FUNERAL TRUST (QFT)

If you meet the criteria of a qualified funeral trust at the federal level, you can file using the same status for Maine purposes. Check the box for "Qualified Funeral Trust" on page 1 of Form 1041ME and enter the required federal QFT taxpayer identification number (EIN) in the space provided (in the upper right corner of the return). For a Maine composite return, attach a schedule listing for each beneficiary: Maine taxable income, Maine income tax, name, social security number and whether or not the beneficiary is a resident of Maine. Since each beneficiary is considered a separate trust, Maine income tax must be calculated separately for each beneficiary. The total tax for all beneficiaries is then entered on line 4 of Form 1041ME.

BANKRUPTCY

For bankruptcy estates (chapter 7 or 11), use Form 1041ME as a transmittal for Form 1040ME. In the top margin of Form 1040ME, write "Attachment to Form 1041ME. DO NOT DETACH." Complete the name, address, and identification information at the top of Form 1041ME. Then complete Form 1040ME through line 24. Enter the amount from Form 1040ME, line 24 on line 4 of Form 1041ME, then follow the instructions for completing lines 5 through 12 on Form 1041ME.

WHEN TO FILE

The due date is April 15, 2026. For fiscal year filers, the due date is the 15th day of the fourth month following the close of the taxable year.

EXTENSIONS

A State of Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic extension equal to any federal extension or 6 months, whichever expires later. **Caution: An extension to file your Maine return is not an extension for payment of tax.** If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax. Any remaining tax must be paid when the return is filed by the extended due date in order to avoid the failure to pay penalty. Interest is charged on any tax paid after the original due date of the return.

Remit the tax due by the original due date for filing the Maine return. Pay electronically using the MTP at revenue.maine.gov, or download Form 1041ME-EXT at maine.gov/revenue/tax-return-forms to mail the payment.

INTEREST AND PENALTIES

Interest will be added each month on overdue tax until the entire tax amount is paid. For calendar year 2025, the interest rate is 10% per year, compounded monthly. In addition to interest, a penalty is assessed for late filing. A separate penalty is assessed for the late payment of tax. The penalty for late filing is \$25 or 10% of the tax due, whichever is greater. If a tax return is not filed upon demand, the penalty is the greater of \$25 or 25% of the tax due. The penalty for late payment of the tax is 1% per month up to a maximum of 25%. Both penalties are assessed when the return is filed late and the tax is paid late. The law also provides for penalties for the underpayment of estimated tax, for preparing or filing a fraudulent income tax return, and for the understatement of income.

WHOLE DOLLAR AMOUNTS

Show money items as whole dollar amounts. Round down to the next lower dollar any amount less than 50 cents. Round up to the next higher dollar any amount 50 cents or more.

ACCOUNTING PERIODS AND METHODS

The accounting period and the method of accounting used are the same as those used for federal tax purposes (for more information, see instructions for federal Form 1041). If the taxable year or method of accounting is changed for federal income tax purposes, the change also applies to the Maine return.

REPORT OF CHANGE IN MAINE TAXABLE INCOME

If the amount of the federal taxable income is changed or corrected by the Internal Revenue Service, or if the Maine tax liability changes for any other reason, the fiduciary must report the changes on an amended Maine return within 180 days after the final determination of the change. Any fiduciary filing an amended federal income tax return must also file an amended Maine return within 180 days.

Failure to comply with these requirements could result in failure to file and failure to pay penalties. To file an amended return, use Form 1041ME for the year(s) you are amending and check the "amended return" box at the top of the form. **Attach a statement explaining the applicable changes and a copy of your federal amended return or Internal Revenue agent's report to the Maine amended return.**

PAYMENT OF ESTIMATED TAX

Estates and trusts subject to Maine income tax are required to make installment payments of estimated tax if the estimated tax liability is \$1,000 or more or an unusual event has occurred.

Generally, payments must be made in four equal installments due April 15, June 15, September 15, and January 15. Payments can be made electronically using the MTP (no forms required) at revenue.maine.gov or download Form 1041ES-ME (and the instructions for Form 1040ES-ME) at maine.gov/revenue/tax-return-forms.

Note: Maine's estate/trust estimated tax filing requirements differ from federal requirements in that Maine Form 1041ME estimate payments must be made after the first year filing. 36 M.R.S. § 5228.

THIRD PARTY DESIGNEE

Check the "Yes" box on page 2 of Form 1041ME to allow Maine Revenue Services to call or accept information from another person to discuss the return. Also enter the person's name, phone number, and any 5-digit number the person chooses as their personal identification number (PIN). The information provided will be used to ensure MRS employees speak with only the individual you have designated if there are any questions or if additional information is needed to process the return. This authorization will automatically end on April 15, 2027.

SIGNATURE

Any person who prepares a taxpayer's return for compensation must also sign and enter his or her social security number or PTIN as assigned by the IRS.

TAXPAYER ASSISTANCE and FORMS

Visit maine.gov/revenue to obtain the latest tax updates, view frequently asked questions (FAQs), or email tax-related questions.

To download or request forms or other information: Visit maine.gov/revenue/tax-return-forms or call **(207) 624-7894** - *Every day 24 Hours.*

For assistance with your tax questions: (207) 626-8480 - *Weekdays 9:00 a.m. - 12:00 p.m.* or send an email to estatetax@maine.gov or write to Maine Revenue Services, P.O. Box 1060, Augusta, ME 04332-1060.

TTY (for persons who are hard of hearing): 7-1-1 - Weekdays 9:00 a.m. - 12:00 p.m.

Collection problems and payment plans: (207) 624-9595 - Weekdays 8:00 a.m.- 5:00 p.m. Call this number if you have a tax balance due that you would like to resolve.

SPECIFIC INSTRUCTIONS

(Please show negative income amounts on your form by placing a minus sign in the box to the left of the amount.)

Nonresident estates and trusts and resident estates and trusts with nonresident or safe harbor resident beneficiaries, see the instructions for Schedule NR.

Line 1. Federal taxable income - resident estates and trusts only. Enter the amount of taxable income shown on federal Form 1041, the amount of unrelated business taxable income from federal Form 990-T and the taxable income of the S corporation portion of Electing Small Business Trusts (ESBT), if applicable.

Line 2. Fiduciary Adjustment - resident estates and trusts only. The fiduciary adjustment is determined on Form 1041ME, Schedule 1 and allocated in accordance with Form 1041ME, Schedule 2 on page 4 of Form 1041ME. If any of the income adjustments apply, complete these schedules before proceeding with page 1 of Form 1041ME. Detailed instructions for the schedules follow.

Line 4. Maine Income Tax. Compute the tax on the amount shown on line 3 by using the following table:

TAX TABLE	
If the taxable income is:	The tax is:
Less than \$26,800	5.8% of Maine taxable income
\$26,800 but less than \$63,450	\$1,554 plus 6.75% of excess over \$26,800
\$63,450 or more	\$4,028 plus 7.15% of excess over \$63,450

This tax rate schedule is effective for tax years beginning in 2025.

Line 7a. Maine income tax withheld. Enter the total amount of Maine income tax withheld. Enclose **(do not staple or tape)** supporting W-2, 1099 and 1099ME forms. Send only Forms 1099 with State of Maine income tax withheld shown on them, unless otherwise required to send as supporting documentation for another schedule or worksheet. Legible photocopies of your W-2, 1099 and 1099ME forms on 8 1/2 by 11 inch paper are preferred.

Line 7b. 2025 estimated tax payments, 2024 overpayment carried forward, extension payments, and real estate withholding (REW) payments. Enter the total amount of estimated taxes paid for tax year 2025 and any 2024 credit carried forward. See general instructions above for further explanation of estimated payments. Also enter any extension payment made for this return. **For real estate withholding payments, enclose** a copy of Form REW-1-1041 or, for electronic payments, a copy of the *Summary of your Real Estate Withholding Payment*, or Form 1099ME to support your entry.

The REW payments made on behalf of a trust on the sale of Maine property where the gain or loss is distributed among beneficiaries must be split among the beneficiaries based on each beneficiary's portion of the Distributable Net Income.

Each beneficiary must file a Maine individual income tax return and apply their portion of the REW payment against their individual income tax liability on the Maine return.

Line 9. If the amount of line 9 is a negative amount, treat it as a positive amount and add it to the amount on line 6.

Line 10. Tax Balance Due. Any balance of tax liability should be paid in full with the return. Remit your payment using the MTP at revenue.maine.gov or mail a check payable to Treasurer, State of Maine with the return. Write the federal estate or trust name, address and phone number on the check.

If line 6 less the sum of lines 7a, 7c, and REW amounts included on line 7b is \$1,000 or more, complete Form 2210ME and attach it to the return. If Form 2210ME shows a penalty amount due, enter it on line 10b and submit payment for the entire balance.

Note: For purposes of calculating lines 10a and 11, any negative amount entered on Form 1041ME, line 6 should be treated as zero.

Line 12a. Amount of line 11 to be credited to next year. Use this block only if electing to have all or a portion of the overpayment on line 11 credited to next year's estimated tax.

Amount of refund directly deposited to a checking account. You may have the refund directly deposited into a checking account if it is \$20,000 or less. To comply with banking rules, check the box to the left of line 12d if the refund is going to an account outside the United States. If the box is checked, a paper check will be mailed.

Line 12c. Enter the 9-digit routing transit number (RTN). The RTN must begin with 01 through 12 or 21 through 32. If it does not, the direct deposit will be rejected and a refund check will be sent instead. **ENTRIES MUST BE ACCURATE.** If unsure what the RTN is, contact the financial institution.

Line 12d. Enter the checking account number. The checking account number can be up to 17 digits long (both numbers and letters). Omit hyphens, spaces and special symbols.

SCHEDULE 1 – FIDUCIARY ADJUSTMENT (Enter combined amounts for both the beneficiaries and the estate or trust).

For more information on Maine additions to and subtractions from federal taxable income, visit maine.gov/revenue.

Line 1. ADDITIONS to federal taxable income. Also include the taxpayer's distributive share of addition modification items from trusts, partnerships, S Corporations, and other pass-through entities.

Line 1a. Enter income from municipal and state bonds, other than Maine, that is not included in federal taxable income. For example: enter bond interest from the City of New York but not Portland, Maine. 36 M.R.S. § 5122(1)(A).

Line 1b. Enter any amount of federal net operating loss carry forward that has been previously used to offset Maine addition modifications. For more information and examples, go to maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*). 36 M.R.S. § 5122(1)(H).

Line 1c. Enter any amount of income taxes imposed by Maine or other states to the extent deducted in calculating federal taxable income. 36 M.R.S. § 5164.

Line 1d. Enter the amount of qualified business income deducted in calculating federal taxable income pursuant to Internal Revenue Code, Section 199A. 36 M.R.S. § 5164.

Line 1e. Bonus depreciation add-back. Line 1e relates to Maine's decoupling from the federal special depreciation deduction through IRC § 168(k), commonly known as bonus depreciation. To calculate the amount to enter on this line, complete a pro forma federal Form 4562 as if no bonus depreciation was claimed on the property placed in service in tax year 2025.

The total addition modification is the difference between the federal depreciation claimed on Form 4562 and the depreciation calculated on the pro forma Form 4562. Enclose copies of the original and pro forma federal Forms 4562, along with the add-back calculation, with the return. Amounts entered on this line are eligible for the recapture subtraction modification on line 2c in future years. 36 M.R.S. § 5122(1)(KK).

For more information, go to maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*). Also, refer to the instructions for line 2c below.

Line 1f. Election to recognize total gain from the sale of Maine real or tangible property - nonresident estates and trusts only. Nonresident estates or trusts may elect to recognize the entire gain from an installment sale during the taxable year of real or tangible property located in Maine. The election may only be made on a timely filed original return and, once made, is irrevocable. Enter on this line the total gain from the sale of the Maine property that would have been included in your federal taxable income if you had not reported the gain on the installment sale basis, less the amount of gain from the sale already included in your federal taxable income reported on Form 1041ME, line 1. An entry on this line constitutes an election under this paragraph. 36 M.R.S. § 5147.

Line 1g. Other Additions. Attach supporting documentation when claiming an amount on this line. DO NOT enter items of income not listed below. Enter on this line:

- **Interest or expenses incurred in the production of income exempt from Maine taxation** deducted in arriving at federal taxable income. 36 M.R.S. § 5164.
- The **administrative expense deduction** claimed for federal fiduciary income tax purposes that is also used to determine the taxable estate in calculating the Maine estate tax.
- The **estate's/trust's share of the fiduciary adjustment** of another estate/trust – **additions only** (36 M.R.S. §§ 5122(3) and 5164).
- **Adjustment for loss, deductions, and other expenses of a pass-through entity financial institution subject to Maine franchise tax.** Under Maine law, financial institutions are subject to the Maine franchise tax, regardless of how the institution is organized. This includes a financial institution organized as a pass-through entity, such as a partnership or limited liability company. Maine law provides that the income from an ownership share in a pass-through entity financial institution is not taxable income on the owner's Maine income tax return. In like manner, any loss, deduction or expense of a pass-through entity financial institution reflected in an owner's federal income is not permitted in calculating the Maine taxable income of the owner. 36 M.R.S. § 5122(1)(K).
- **Wellness programs tax credit adjustment.** Maine taxpayers who claim the Maine credit for wellness programs under 36 M.R.S. § 5219-FF and deducted related expenses on their federal tax return must increase Maine taxable income by the amount federal income was reduced. 36 M.R.S. § 5122(1)(EE).
- **Enrolled tribal members in Maine.** An estate of a decedent who at the time of death was a tribal member residing on tribal land must apply the provisions of Rule 825 to determine the income modifications under 36 M.R.S. §§ 5122(1)(PP) and 5122(2)(ZZ) to calculate the income of the estate subject to Maine income tax under 36 M.R.S., Part 8. If the amount on

Schedule ETM, column C, line 5 is a negative number, enter that amount on Schedule 1, line 1g as a positive number. Enclose Schedule ETM available at maine.gov/revenue/tax-return-forms.

- **OBBBA expensing of domestic research and experimental (R & E) expenditures add-back.** For federal tax purposes, under the One Big Beautiful Bill Act (OBBBA), for tax years beginning after 2024, taxpayers may elect to deduct domestic R & E expenditures incurred during the tax year in full (IRC, Section 174A(a)), or to amortize the expenditures over a period of at least 60 months (IRC, Section 174A(c)(1)). The OBBBA also allows certain taxpayers to accelerate unamortized R & E expenditures incurred during 2022, 2023, and 2024 to tax years 2025 and 2026 (OBBBA, Section 70302(f)(2)). For Maine tax purposes, an adjustment must be made to reverse the effects of these federal deductions. The domestic R & E expenditures must continue to be amortized over a five-year period as calculated before enactment of the OBBBA. To calculate the amount to enter on this line:

- 1) Complete the applicable pro forma federal tax form(s) to compute the federal deduction claimed for the tax year with respect to:
 - a) fully expensed domestic research and experimental expenditures incurred during the tax year as allowed under IRC, Section 174A(a); plus
 - b) domestic research and experimental expenditures amortized over a period of at least 60 months as allowed under IRC, Section 174A(c)(1); plus
 - c) the accelerated amortization deduction for domestic research expenditures (OBBBA, Section 70302(f)(2)).
- 2) Complete the applicable pro forma federal tax forms(s) to compute the allowable federal deduction for domestic R & E expenditures with respect to IRC, Section 174, and amendments to that Section as of December 31, 2024 (effective immediately before enactment of the OBBBA).
- 3) Subtract the result of Step 2 from Step 1. If negative, enter zero on Line 1g and enter the absolute value of the calculation on Form 1041, Schedule 1, line 2h. Provide a statement listing each component of the calculation.

Note: When calculating amortization under pre-OBBBA law in Step 2, do not include expenditures incurred during 2022, 2023, or 2024 for which an amended federal return was filed to claim an expense deduction for those tax years pursuant to enactment of the OBBBA, Section 70302(f)(1). Amended Maine income tax returns must be filed for tax years 2022, 2023, and 2024 to deduct unamortized domestic R & E expenditures incurred during these tax years.

Line 2. SUBTRACTIONS from federal taxable income. Also include the taxpayer's distributive share of subtraction modification items from trusts, partnerships and S Corporations where applicable.

Line 2a. If included in federal taxable income, enter **income from direct obligations of the United States Government**, such as Series EE and Series HH Savings bonds and U.S. Treasury bills and notes. 36 M.R.S. § 5122(2)(A).

Line 2b. Use this line only if the person retired after 1988 and received retirement benefits from the **Maine Public Employees Retirement System ("MainePERS")** in 2025. To calculate the amount for this line, subtract the amount in box 16 from the amount in box 2a on Form 1099-R issued by MainePERS. Also enter on this line MainePERS rollover amounts previously taxed by the state,

whether or not included in federal taxable income. Rollover amounts may be subtracted fully or in part during the tax year of the rollover. Any amount not subtracted in the tax year of the rollover may be subtracted within the two years immediately following the year of the rollover. However, the total amount subtracted over the three-year period may not exceed the pick-up contributions previously taxed by Maine. 36 M.R.S. § 5122(2)(E).

Line 2c. Bonus depreciation and Section 179 recapture. Amounts required to be added to income under 36 M.R.S. § 5122(1) may be recaptured over the life of the applicable asset in accordance with 36 M.R.S. § 5122(2), paragraphs Q, AA, II, MM, NN, OO, and RR. Individual owners of certain electing S corporations may be allowed bonus depreciation recapture over the life of the applicable asset pursuant to §5122(2)(X). For more information and examples, visit maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*).

Line 2d. Eligible registered caregivers, registered dispensaries, and manufacturing facilities as defined by 22 M.R.S. § 2422 may claim a deduction for **expenses related to carrying on a medical cannabis trade or business**, in an amount equal to the deduction that would otherwise be allowable for Maine purposes to the extent the deduction was disallowed under Internal Revenue Code, Section 280E. Also enter your registration number or business sales tax number. Enclose a copy of a pro forma federal Schedule C or pro forma federal Form 1065 or 1120-S, including Schedules K and K-1, showing the calculation of the expenses included on this line. 36 M.R.S. § 5122(2)(PP).

Line 2e. Eligible adult use cannabis establishments and testing facilities as defined by 28-B M.R.S. § 102 may claim a deduction for **expenses related to carrying on an adult use cannabis trade or business**, in an amount equal to the deduction that would otherwise be allowable for Maine purposes to the extent the deduction was disallowed under Internal Revenue Code, Section 280E. Also enter your registration number or business sales tax number. Enclose a copy of a pro forma federal Schedule C or pro forma federal Form 1065 or 1120-S, including Schedules K and K-1, showing the calculation of the expenses included on this line. 36 M.R.S. § 5122(2)(PP).

Line 2f. If the federal taxable income is not more than \$100,000, enter up to \$1,000, per beneficiary, of contributions made to a Maine or non-Maine **qualified tuition program (“529 college savings plan”)**. 36 M.R.S. § 5122(2)(YY).

Line 2g. Net operating loss (NOL) recapture. For Maine tax purposes, taxpayers may, in years subsequent to the year of the loss, deduct an amount equal to the net operating loss carried back for federal tax purposes that was required to be added back to Maine income under 36 M.R.S. §§ 5122(1)(H) and 5122(1)(M), except that this NOL deduction was suspended for tax years beginning in 2009, 2010 and 2011. The carryover period for suspended NOL recapture subtraction modifications is equal to the allowable federal NOL carryforward period plus the number of years the subtraction modification was suspended.

Also include on this line the amount of NOL carryforward resulting from excess business losses not allowed to be claimed for Maine tax purposes for a tax year beginning in 2018, 2019, or 2020 to the extent the amount does not reduce Maine taxable income to less than zero, has not been previously used to offset Maine taxable income, and is not included in the calculation of any NOL carryback or carryforward for federal tax purposes.

Individual shareholders of an electing S corporation may also recapture an NOL addition modification claimed by the entity in a year the corporation was taxed as a C corporation. For more information on Maine’s treatment of NOL’s, go to maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*). 36 M.R.S. §§ 5122(2)(H), 5122(2)(P), 5122(2)(V), 5122(2)(W), 5122(2)(CC), and 5122(2)(UU).

Line 2h. Other Subtractions. Attach supporting documentation when claiming an amount on this line. DO NOT enter items of income not listed below. Enter on this line:

- The estate’s/trust’s share of a fiduciary adjustment of another estate/trust – **subtractions only**. 36 M.R.S. §§ 5122(3) and 5164.
- Expenses incurred in the production of income subject to Maine tax, but exempt from federal tax (an example is expenses related to the production of non-Maine municipal bond interest). 36 M.R.S. § 5164.
- The amount of any **state or local income tax refund** to the extent included in federal taxable income. 36 M.R.S. §§ 5122(2)(F).
- **Interest from Maine Municipal General Obligation Bonds, Private Activity Bonds, and Airport Authority Bonds.** Enter interest from Maine municipal general obligation bonds, private activity bonds, and bonds issued by a Maine airport authority to the extent included in federal taxable income. 36 M.R.S. § 5122(2)(N).
- **Amount of reduction in salaries and wages expense deduction.** Enter the amount equal to the reduction in salaries and wages expense deduction directly related to claiming the federal Work Opportunity Credit or Empowerment Zone Credit. These amounts are reported on federal Form 5884, line 2 or federal Form 8844, line 2. (Owners of pass-through entities, enter the estate’s/trust’s share of the amount from line 3 of these forms to the extent not included on line 2). 36 M.R.S. § 5122(2)(B).
- **Northern Maine Transmission Corporation investment income.** The Northern Maine Transmission Corporation is a public instrumentality of the State. All bonds, notes or other evidences of indebtedness issued on behalf of the Northern Maine Transmission Corporation are issued by a political subdivision or a body corporate and politic of the State and for an essential public and governmental purpose. Those bonds, notes or other evidences of indebtedness, the interest on them and the income from them, including any profit on their sale, and all activities of the corporation and fees, charges, funds, revenue, income and other money of the corporation, whether or not pledged or available to pay or secure the payment of those bonds, notes or other evidences of indebtedness or interest on them, are exempt from Maine income tax. Enter on this line the amount of income from investments in the Northern Maine Transmission Corporation to the extent included in federal taxable income. 10 M.R.S. § 9205.
- **Maine Space Corporation, Maine Waste Management and Recycling Program, and Lincoln Mills Facility District.** Enter the amount of interest income and capital gains from the sale of bonds issued relative to the Maine Space Corporation, the Maine Waste Management and Recycling Program, and the Lincoln Mills Facility District to the extent included in federal taxable income. 5 M.R.S. § 13207(2)(B), 38 M.R.S. § 2218, and P. & S.L. 2023, c. 23, § 7.

- **Income from ownership share in a financial institution.** Enter on this line all items of income, gain, interest, dividends, royalties and other items of income of a financial institution subject to the Maine franchise tax that are included in federal taxable income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Also enter the employer identification number of the financial institution. 36 M.R.S. § 5122(2)(K).
- **Income from depreciation recapture on the sale of multi-family affordable housing property.** To the extent not otherwise removed from Maine income, enter the total amount of capital gains and ordinary income resulting from depreciation recapture in accordance with Internal Revenue Code sections 1245 and 1250 realized on the sale of multi-family affordable housing property certified by the Maine State Housing Authority ("MaineHousing"). A copy of the MaineHousing certificate must be attached to the return. 36 M.R.S. § 5122(2)(Z).
- **Maine seed capital credit refundable distributions.** Enter the refundable portion of the Maine seed capital investment tax credit allowed under 36 M.R.S. § 5216-B to the extent included in federal taxable income. Private venture capital funds may claim the seed capital investment tax credit and the credit is refundable to those entities. The refundable portion of the credit is excluded from Maine taxable income. 36 M.R.S. § 5122(2)(JJ).
- **Sale of eligible timberlands.** To the extent included in federal taxable income, enter the amount equal to the applicable percentage of the gain from the sale of sustainably managed, eligible timberlands. The modification may not reduce Maine taxable income to less than zero; however, unused portions may be carried forward for up to 10 years. Eligible timberlands must be held by the taxpayer for at least 10 years beginning on or after January 1, 2005. Enclose with the return a copy of the written statement received from a licensed forester certifying at the time of sale, the sustainably managed eligible timberlands. Use lines 1) through 3) below to calculate the amount of the modification. 36 M.R.S. § 5122(2)(U).

- 1) Enter the gain recognized on the sale of eligible timberlands included in federal taxable income..... \$ _____
- 2) Enter the applicable percentage amount shown below for the number of years the eligible timberlands were held by the taxpayer beginning on or after January 1, 2005..... _____

If the number of years eligible timberlands were held by the taxpayer beginning on or after January 1, 2005 is:

At least	But less than	Enter
10	11	.0667
11	12	.1333
12	13	.2
13	14	.2667
14	15	.3333
15	16	.4
16	17	.4667
17	18	.5333
18	19	.6
19	20	.6667
20	21	.7333

- 3) Multiply line 1 by line 2. Enter result on Schedule 1, line 2h. \$ _____
- **New markets capital investment credit.** Enter the amount of income recognized from the new markets capital investment credit to the extent included in federal taxable income. 36 M.R.S. § 5122(2)(KK).
 - **Business interest deduction recapture.** The amount of business interest deduction previously disallowed for Maine tax purposes and required to be added-back under 36 M.R.S. § 5122(1)(NN) may be recaptured, up to 25% per taxable year, to the extent that Maine taxable income is not reduced below zero and the amount has not been previously used to reduce Maine taxable income. 36 M.R.S. § 5122(2)(VV).
 - **Enrolled tribal members in Maine.** An estate of a decedent who at the time of death was a tribal member residing on tribal land must apply the provisions of Rule 825 to determine the income modifications under 36 M.R.S. §§ 5122(1)(PP) and 5122(2)(ZZ) to calculate the income of the estate subject to Maine income tax under 36 M.R.S., Part 8. If the amount from Schedule ETM column C, line 5 is greater than zero, enter that amount on Schedule 1, line 2h.
 - **Gain on the transfer of a majority interest in a business that provides housing to a cooperative affordable housing corporation or municipal housing authority.** Enter on this line up to \$750,000 of gain recognized on the sale of a majority ownership interest in a qualified business to the extent included in federal taxable income. The qualified business must provide housing and be transferred to a cooperative affordable housing corporation, municipal housing authority, or an affiliate of a municipal housing authority. A qualified business is any business that is not publicly traded and is registered with the Secretary of State or has its principal place of business in Maine including a corporation, an S corporation, a limited liability company, a limited liability partnership, and a sole proprietorship. 36 M.R.S. §§ 5122(2)(AAA).
 - **OBBBA amortization of domestic research and experimental (R & E) expenditures:** For federal tax purposes, under the One Big Beautiful Bill Act (OBBBA), for tax years beginning after 2024, taxpayers may elect to amortize domestic R & E expenditures over a period of at least 60 months (IRC, Section 174A(c)(1)). For Maine tax purposes, domestic R & E expenditures must continue to be amortized over a five-year period as calculated before enactment of the OBBBA. If applicable, follow the instructions for Form 1041ME, Schedule 1, line 1g to calculate the amount to enter on this line. Provide a statement showing the calculation for this line.

Line 3. Net Fiduciary Adjustment. The shares of the beneficiaries and of the estate/trust in the Maine fiduciary adjustment are in proportion to their respective shares of federal distributable net income of the estate or trust. **Resident estates and trusts:** Multiply line 3 by the percentage on Schedule 2, line f, column 3. Enter the result on page 1 of Form 1041ME, line 2. **Nonresident estates and trusts:** Multiply line 3 by Schedule 2, line f, column 3. Enter the result on Form 1041ME, Schedule NR, line 7, column A.

SCHEDULE 2 – ALLOCATION OF FEDERAL INCOME AND MAINE-SOURCE INCOME

The purpose of this schedule is to show the distribution of federal distributable net income (DNI) and Maine-source income of nonresident and safe harbor resident beneficiaries. See page 3 of the *Maine individual income tax booklet for a description of nonresident and safe harbor resident statuses*. **ALL estates/trusts must complete Schedule 2.**

Column 1. Enter the name of each beneficiary of the estate or trust, including nonresident and safe harbor resident beneficiaries. Enter the estate/trust name on line f. If there are more than 5 beneficiaries, use a separate sheet of paper.

Column 2. Enter the respective shares of federal distributable net income of each beneficiary and of the estate/trust on the appropriate lines.

Column 3. Determine the percentage share for each beneficiary and for the estate/trust based on the amounts in column 2.

Columns 4 and 5. Enter the state of domicile and the social security number/EIN of each beneficiary of the estate or trust, including nonresident and safe harbor resident beneficiaries.

Column 6. Nonresident estates or trusts enter on line g, column 6, the amount from Schedule NR, line 4, column B. For lines a through e, allocate line g to the nonresident and safe harbor resident beneficiaries in proportion to their respective shares of federal distributable net income. The income, as allocated, has the same character as it does for federal income tax purposes.

Resident estates or trusts with nonresident and safe harbor resident beneficiaries must complete a pro forma Schedule NR (as if the estate or trust were a nonresident estate or trust) in order to complete column 6 of Schedule 2. Enter on Schedule 2, line g, column 6 the amount from Schedule NR, line 4, column B. Follow the instructions for completing Schedule NR. Attach a copy of the pro forma Schedule NR to the Maine income tax return for the estate or trust. Do not complete column 6 for resident beneficiaries (except safe harbor resident beneficiaries).

If the estate or trust has no federal distributable net income, the share of each beneficiary in the Maine-source income is in proportion to the beneficiary's share of the estate or trust income for the taxable year, including that which is required by local law of the governing instrument to be distributed in such year. Any balance of the Maine-source income not allocable to beneficiaries shall be allocated to the estate or trust. If the shares in the Maine-source income are allocated in accordance with this paragraph, show the allocation in a schedule attached to the return.