



Consolidated Report on Maine Tax Conformity and the Provisions of Federal Public Law No. 119-21

February 26, 2026

**Department of Administrative and Financial Services
Maine Revenue Services
Office of Tax Policy**

Contents

I.	Introduction/Background	3
II.	Federal/State Tax Law Conformity	4
	A. Generally	4
	B. Retroactivity and 2025 Conformity	6
III.	Detailed Analysis	7
	A. Direct Conformity: Individual Tax Items	7
	Enhancement of Child and Dependent Care Tax Credit	7
	Enhancement of the Dependent Care Assistance Program	8
	Exclusion for Employer Payment of Student Loans	9
	Extension and Modification of Limitation and Deduction and Exclusion for Moving Expenses	9
	Extension and Modification of Limitation on Deduction for Qualified Residence Interest...9	
	Termination of Miscellaneous Itemized Deductions Other Than Educator Expenses	10
	Miscellaneous Individual Items	10
	B. Direct Conformity: Business Tax Items	11
	Bonus Depreciation	11
	Accelerated Depreciation for Qualified Production Property	12
	Research and Experimentation/R&D expenses	12
	Business Interest Deduction Adjustments	13
	Section 179 Expensing	13
	Terminate Accelerated Cost Recovery System (ACRS)	14
	Floor Calculation on Deduction of Charitable Contributions Made by Corporations.....	14
	Excessive Employee Remuneration From Controlled Group Members and Allocation of Deduction.....	14
	Exception to Percentage of Completion Method for Certain Residential Construction Contracts.....	15
	Expansion of Qualified Small Business Stock Gain Exclusion.....	15
	Extension and Enhancement of Paid Family and Medical Leave Credit.....	16
	International Reforms: GILTI/NCTI	16

International Reforms: Other	17
Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers.....	17
Permanent Renewal and Enhancement of Opportunity Zones	18
Treatment of Payments from Partnerships to Partners for Property or Services	18
Miscellaneous Business Provisions	19
C. Indirect Conformity Items Relevant to Maine’s Consideration of the 2025 Act	19
Increase in Standard Deduction.....	19
Individual Charitable Contributions.....	20
Senior Deduction.....	21
“No Tax on Tips”.....	21
“No Tax on Overtime”.....	21
Temporary Deduction for Car Loan Interest.....	22
Increased Deduction for State and Local Taxation	22

I. Introduction/Background

This report consolidates and expands on two prior reports¹ prepared by the Office of Tax Policy regarding the Maine income tax implications of federal Public Law No. 119-21,² (the “2025 Act,” sometimes referred to as the “OB3”). Those earlier reports focused on the retroactive and non-retroactive provisions of the 2025 Act, respectively, and were prepared during the period of 2025 when the Legislature was out of session and any short-term response by the State of Maine would need to be taken by the Governor, pursuant to her authority under P.L. 2025, C. 336. The second of those reports explicitly indicated that “further guidance on whether and to what extent to conform with the federal law changes for 2026 and future years... will follow in due course, when the State has more revenue and economic data to work with and when the Legislature is in a position to address Maine’s overall response.” This consolidated report is intended to provide historical, fiscal, and technical background for that guidance and to

¹ “Maine Tax Conformity and Public Law No. 119-21: Overview,” and “Addendum to The Office of Tax Policy Report On Maine Tax Conformity and the Retroactive Provisions of Federal Public Law No. 119-21,” both of which are available at <https://www.maine.gov/revenue/taxes/tax-policy-office>.

² ACT To Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, also known as the “One Big Beautiful Bill Act.”

be of use to State policymakers in their considerations during the 132nd 2nd Regular Legislative Session and beyond.

The 2025 Act contains hundreds of provisions, which work in many different ways. Most of the provisions of the 2025 Act go into effect in 2026 or after. However, a number of them went into effect at the federal level for the 2025 tax year. Since the 2025 Act was adopted shortly after the end of the Maine legislative session, the Legislature has not had a chance to act on those provisions, even though they will affect the administration of Maine taxes. The Governor has directed the State Tax Assessor to administer the 2025 tax year on the basis that some—but not necessarily all—of those provisions will ultimately be adopted by the Legislature. This process is described in more detail below, and the detailed discussion of provisions in Part III of this report note the provisions of the 2025 Act that have retroactive effect and are applicable to Maine taxation.

This report is broken into three sections; this first, introductory section lays out an outline of the report. The second section deals with the relationship between federal law, Maine law, and the nature of “conformity” while discussing the actions taken by the Governor with respect to the administration of the 2025 Act to tax year 2025. The final section of the report is a detailed description of the provisions of the 2025 Act which either are directly related to Maine’s conformity discussion or are potentially relevant to it. That final section is further broken down into three subsections: the first considers areas where full conformity would affect individual income taxpayers; the second looks at areas where full conformity would affect corporate income taxpayers, and the final subsection looks at various provisions of the 2025 Act (like “no tax on tips,” “no tax on overtime,” and an exemption of certain income earned by seniors) that make important changes at the federal level that are not traditional conformity items and would not be adopted by updating the conformity date, but that are noteworthy features of the 2025 Act that policymakers may want to consider implementing in Maine.

II. Federal/State Tax Law Conformity

A. Generally

Historically, Maine has chosen to “conform” to provisions of the federal Internal Revenue Code. Mechanically, this usually is done in a routine bill, adopted every legislative session, by updating the conformity date in the definition of the Internal Revenue Code in Title 36 and thereby updating other important definitions in Title 36 of the Maine Statutes to conform to the current federal definitions of those same terms. As of the date of this report, Maine conforms with federal tax law effective December 31, 2024.³

³ P.L. 2025, c. 432.

Conforming in this manner offers many advantages to taxpayers and the State. For taxpayers, filing their Maine income tax returns is relatively simple; once they have prepared their federal returns, they can simply take the relevant figures from particular lines of their federal returns and enter them on their Maine returns, adjusting as necessary to reflect differences between federal and Maine law. For the State, conforming with these federal definitions greatly simplifies tax administration; for instance, there is no need for Maine Revenue Services to administer, and the Maine courts to consult, a separate body of law for guidance on who qualifies as a “dependent” because, thanks to conformity, Maine looks to the statutory, caselaw, and regulatory authority developed at the federal level for that and comparable questions.

A full discussion of the mechanics of the conformity process is beyond the scope of this report.⁴ However, it is critical to understand that conformity works because of the careful selection of which terms to conform to. In the individual income tax context, Maine conforms to the federal definition of “Adjusted Gross Income.” Any provision of federal law which goes into the calculation of Adjusted Gross Income—including most types of income received and most “above-the-line” deductions available at the federal level—are automatically incorporated into Maine law, by virtue of the standard conformity process. On the other hand, provisions of federal law that influence the calculation of federal tax liability after the taxpayer has calculated Adjusted Gross Income—including but not limited to so-called “below-the-line” deductions, tax rates, and tax credits—are not automatically incorporated into Maine law and would be unaffected by a standard conformity bill.

Of course, Maine legislators can choose to conform to items that relate to below-the-line deductions, just as they can, and from time to time do, choose to decouple from federal provisions which affect above-the-line items. For instance, under federal law, certain taxpayers are allowed to deduct depreciation—an above-the-line item, and therefore one that would normally be covered by the standard conformity process—using the “bonus depreciation” method; over the years, Maine legislators decided to decouple from bonus depreciation, and we remain decoupled at this time, so Maine taxpayers who opt to take bonus depreciation at the federal level must calculate depreciation using the traditional method for Maine tax purposes. Similarly, many federal below-the-line items relate to federal tax credit programs; Maine could, and sometimes does, adopt credit programs similar to those federal programs. But adopting a traditional conformity package would not automatically change the state law taxation of Mainers with respect to items not specifically incorporated into Maine tax law, and any attempt to create such programs in Maine would require going through the traditional legislative process to make substantive changes to the tax law.

The more Maine decouples from federal law, the more differences there are for taxpayers to track and Maine Revenue Services to administer. All else being equal, limiting the amount of

⁴ More technical detail is provided in the “Overview” report cited above.

discontinuity between federal and Maine law is an important tax policy goal. On the other hand, fully conforming to federal law would essentially put federal policymakers in charge of Maine's taxing decisions, which would be very difficult in a state with a requirement to produce a balanced budget and a constitutional prohibition on yielding the power of taxation. Therefore, policymakers must carefully consider the costs and benefits of conforming to each significant provision of the 2025 Act. For instance, as is discussed in more detail below, the 2025 Act accelerates the ability of businesses to deduct certain research and development costs. Conforming to those changes would be convenient for everyone involved, but at a cost of approximately \$136 million in 2026 tax receipts. Working out whether and to what extent to comply with this provision will be an important task for the Legislature this year; this report identifies and discusses some alternatives.

As noted above, it is important to remember that a number of the most well-known provisions of the 2025 Act have no direct bearing on conformity. For instance, the provisions of the 2025 Act which exempt certain tip and overtime income relate to below-the-line items, and therefore would not normally be relevant to a discussion of federal/state conformity. But Maine lawmakers could certainly opt to create a parallel Maine exception for tip and overtime income, and this report analyzes those provisions as well, although it considers them separately, after the conformity items.

B. Retroactivity and 2025 Conformity

The 2025 Act was signed by the President on July 4, 2025—a few days after the Maine Legislature adjourned. Several provisions of the 2025 Act—including some that may be fiscally significant for Maine—relate to the administration of the 2025 tax year. Since the Legislature did not have an opportunity to address the Maine consequences of the 2025 Act in calendar year 2025, and since the 2025 tax season would traditionally begin in late January of 2026, there was a possibility that Maine Revenue Services would find itself in limbo as it prepared for the administration of the 2025 tax season—with current Maine law conforming to pre-2025 Act law, even though it is predictable that at least some, if not the great majority, of provisions of the 2025 Act which relate to tax year 2025 will eventually be adopted in Maine, if only through adoption of a standard, updated date conformity package.

In order to address this sort of situation, last year the Legislature adopted P.L. 2025, C. 336 (“An Act to Address the Effect of Changes to Federal Income Tax Laws on Maine Income Tax Laws,”) which provides, among other things, that if the Legislature did not have an opportunity to consider changes to federal tax law prior to the opening of tax season, the Governor may direct the Assessor to adjust the administration of the tax laws for the year in question to reflect the likelihood of Legislative action. In doing so, the Governor was required to consider the equitable administration of the tax laws, the intent of the Legislature as the Governor understands it based on previously-enacted Maine tax laws, the budgetary effects of adjustment, and the goal of reducing the complexity of tax filing for taxpayers and tax

administration for the State. The Governor has used her authority under that law to direct the Assessor to begin the administration of the 2025 tax season based on the premise that the Legislature is likely to eventually adopt the bulk of the conformity items that would affect the 2025 tax year, and contingent on the Legislature's action.⁵

The Assessor has followed the Governor's directions and the 2025 tax forms were prepared on the basis of assuming conformity to most, but not all, items, as discussed in detail below. M.R.S. has informed taxpayers that they have the choice to go ahead and file by the regular due date using the forms as they have been prepared by the Assessor based on the Governor's direction, or to file under extension and wait until the Legislature is able to act before filing, and that taxpayers who do file now will not face additional tax penalties if they later have to amend their returns to reflect the changed treatment of a particular conformity item that the Legislature decides not to adopt. Still, it is worth remembering that several provisions of the 2025 Act are relevant to the 2025 tax year, and if the Legislature chooses not to adopt Legislation in line with the Governor's recommendations, taxpayers who do go ahead and file early in the tax season may be required to amend their returns later; of course, this would increase complexity for taxpayers and tax administration.

Lawmakers should bear in mind that taxpayers began filing their 2025 taxes in January of 2026, and they are effectively taking the position that a number of provisions relevant to 2025 will be conformed with, but a few will not. This will present particularly acute considerations for individual taxpayers, who often file at the beginning of the tax season in order to get their refunds as early as possible. There is somewhat less urgency for business taxpayers, many of whom traditionally file their tax returns on extension, and can thereby more conveniently wait and see what approach the Legislature takes.

III. Detailed Analysis

A. Direct Conformity: Individual Tax Items

Enhancement of Child and Dependent Care Tax Credit

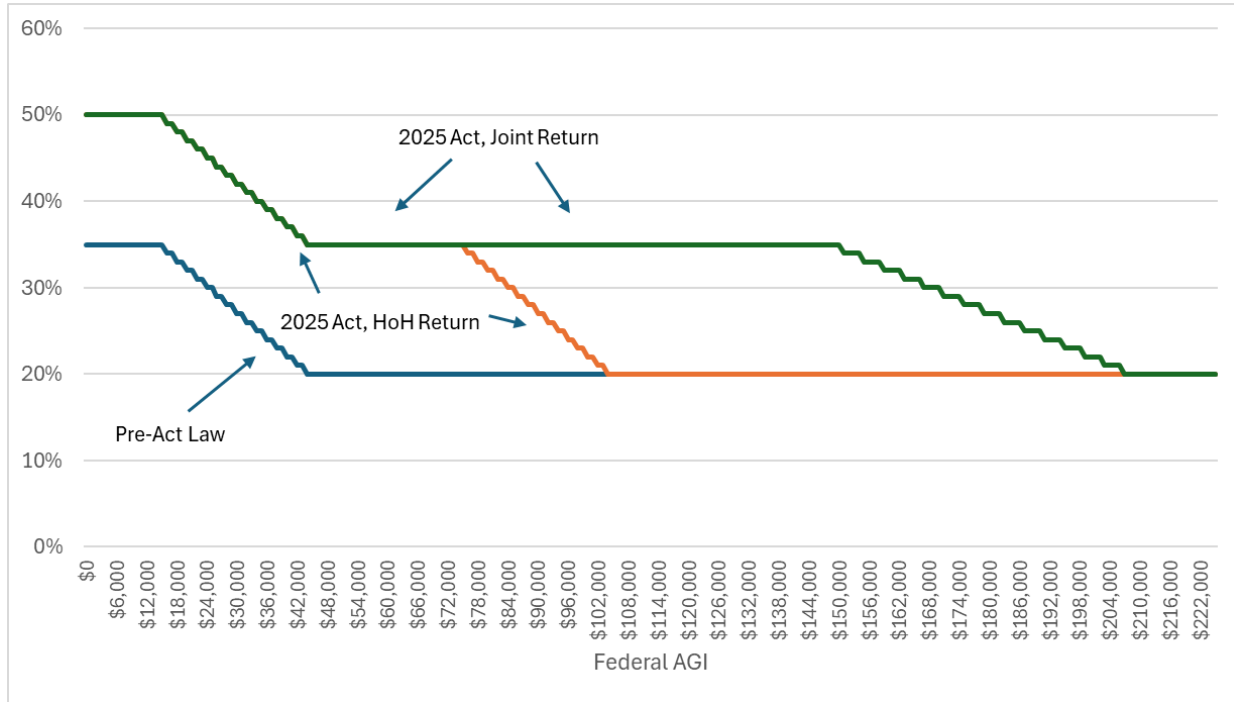
The federal government provides a nonrefundable tax credit for employment-related child and dependent care expenses. The credit equals the credit rate multiplied by qualifying expenses. Qualifying expenses are limited to \$3,000 if the taxpayer has one qualifying dependent and \$6,000 if the taxpayer had two or more qualifying dependents. Under pre-2025 Act law, the credit rate was 35% subject to an income based phaseout, with a minimum credit rate of 20%. The 2025 Act increases the credit rate by 15 percentage points for FAGI under \$150,000

⁵ The Governor's direction to the Assessor, including a discussion of which provisions should be treated as conformity items and which should not, is available at:

https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/10.1.25_Governor%20Instruction%20RE%20Conformity%202025.pdf.

(married joint) or \$75,000 (other). As income rises above these cutoffs, the difference between the new and old and new credit rate narrows until they equal each other. A comparison of credit rates between pre-Act law and the Act is shown in the figure below.

Figure 1: Federal Child and Dependent Credit Rate



Maine law provides a child and dependent care credit equal to 25% of the federal credit. The Maine credit rate is doubled for expenditures at providers with a Step 4/Star 5 Quality Certificate issued by the Department of Health and Human Services. The Maine credit is refundable up to \$500 for Maine residents. Because the Maine credit “piggybacks” on the federal credit, updating the conformity date will increase the revenue loss from the Maine credit. The annual revenue loss is estimated to be approximately \$1.7 million per year beginning in fiscal year 2027.

Enhancement of the Dependent Care Assistance Program

Under the Code, gross income of employees does not include some costs paid or incurred by an employer for dependent care assistance under a federally-qualified dependent care assistance program. Prior to the 2025 Act, the amount of dependent care payments that could be excluded from income was capped at \$5,000 (or \$2,500 for a married individual filing separately). The 2025 Act increased that amount to \$7,500 (or \$3,750 for married individuals filing separately) for tax years beginning after December 31, 2025.

The cost to Maine of conformity to this provision would be relatively modest—approximately \$400,000 per year.

Exclusion for Employer Payment of Student Loans

The Code allows employers sponsoring “qualified educational assistance programs” to make payments of up to \$5,250 per employee for certain “educational assistance” payments without the payment being treated as taxable income to the employee. Prior to the 2025 Act, a temporary provision allowed employers to make “eligible student loan repayments” on behalf of the employee and have them count as “educational assistance,” and, as such, be excluded from the employee’s gross income. That provision was slated to expire as of December 31, 2025. The 2025 Act made that provision permanent, and also created an inflation adjustment so that the maximum amount of excludable payments will increase annually going forward.

Conforming to this provision would reduce state revenue by approximately \$1.1 million annually. Decoupling would be logistically challenging, since federal information returns would not distinguish between types of qualifying educational expenses, and Maine taxpayers would be required to back out the amount of assistance allocable to loan repayments as opposed to other, qualifying payments.

Extension and Modification of Limitation and Deduction and Exclusion for Moving Expenses

Prior to 2018, taxpayers could deduct expenses incurred for long-distance, work-related moves. The Tax Cuts and Jobs Act (the “2017 Act”) suspended that deduction for most taxpayers for the period 2018-2025. The only exception, during that period, was for active-duty military members moving due to a permanent change of station. The 2025 Act permanently eliminated the deduction, except for active-duty members of the Armed Forces, and expanded the deduction for military personnel to include employees and appointees of U.S. intelligence agencies.

Permanently eliminating the deduction for non-military moving expenses will save Maine approximately \$650,000 per year. Expanding the exception to cover intelligence workers would have a negligible effect on state revenues.

Extension and Modification of Limitation on Deduction for Qualified Residence Interest

Under the Code, taxpayers who itemize deductions are allowed to deduct “qualified residence interest,” which is interest on a loan incurred by a taxpayer for the purpose of acquiring a “qualified residence” (i.e. the taxpayer’s principal residence or one other residence). Prior to the 2017 Act, taxpayers could deduct interest on up to \$1,000,000 of qualified residences (or \$500,000 for unmarried taxpayers or married taxpayers filing separately). The 2017 Act reduced that figure to \$750,000 (\$375,000 for married taxpayers filing separate returns or single

taxpayers) through January 1, 2026. The 2025 Act makes permanent the \$750,000 cap and permanently treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest.

Conforming to this provision would increase revenue by approximately \$200,000 annually relative to the baseline of returning to the \$1,000,000 cap. Failing to conform would create significant administrative costs for taxpayers and the State. Costs would be associated with identifying the non-conforming amounts, accounting for them, changing forms and systems to track it, auditing taxpayers, enforcement, and so on. Additional M.R.S. positions would be needed to administer the non-conformity.

Termination of Miscellaneous Itemized Deductions Other Than Educator Expenses

Prior to the 2017 Act, taxpayers who itemized deductions were eligible to deduct a number of items as “miscellaneous itemized deductions.” Familiar miscellaneous itemized deductions include certain unreimbursed employee expenses, certain fees relating to managing investments, and fees associated with preparing tax returns. The 2017 Act suspended miscellaneous itemized deductions for tax years 2018 through 2025; they were scheduled to return for tax years beginning after 2025. The 2025 Act permanently terminates all existing miscellaneous itemized deductions. However, the 2025 Act also creates an entirely new miscellaneous itemized deduction, available for tax years beginning after December 31, 2025, for unreimbursed employee expenses incurred by certain eligible educators (specifically, K-12 teachers, instructors, school counselors, certain sports administrators and coaches, principals, and aides working in schools for more than 900 hours during the school year). The deduction is available for equipment and supplementary materials used by eligible educators as part of instructional activities.

Should Maine conform to the termination of miscellaneous itemized deductions except for qualified educational expenses, it would increase states revenues by approximately \$1.5 million per year.

Miscellaneous Individual Items

Other less significant provisions of the 2025 Act which affect individuals and would automatically update under a standard conformity package are the: extension and modification of limitation on casualty loss deduction, limitation on tax benefit of itemized deductions, extension and modification of qualified transportation fringe benefits, extension and modification of limitation on wagering losses, extension and enhancement of increased limitation on contributions to ABLE accounts, extension of rollovers from qualified tuition programs to ABLE accounts permitted, extension of treatment of certain individuals performing services in the Sinai Peninsula and enhancement to include additional areas, partial exclusion from income of interest on loans secured by rural or agricultural real property, extension and modification of the

exclusion from gross income of student loans discharged on account of death or disability, Trump accounts, and the contribution pilot program.

B. Direct Conformity: Business⁶ Tax Items

Bonus Depreciation

The 2017 Act allowed purchasers of qualifying equipment to elect to take additional, “bonus” depreciation in the year of purchase.⁷ The amount of the bonus was 100% for the first few years following the 2017 Act, but reduced gradually by 20 percentage points per year, and was scheduled to be 40% for 2025. However, the 2025 Act permanently set bonus depreciation at 100% for eligible property purchased after January 19, 2025.

Generally speaking, capital purchases of business equipment are subject to depreciation over the expected useful lifetime of the asset. A mill’s purchase of a pulper, for instance, might be depreciated over ten years, meaning the tax benefits associated with the purchase would not all be recognized in the year of purchase, but would phase in gradually. Businesses would therefore need to carefully track the acquisition date and remaining depreciable value of their property, to ensure that an appropriate amount of the cost was depreciated every year, and also to ensure that should the equipment ever be sold the purchase price would be “recaptured” to the extent it exceeded the purchaser’s remaining, undepreciated basis in the property. This is a familiar and fairly straightforward accounting exercise, but it does require considerable bookkeeping care and attention, and imposes some cost on businesses. With 100% bonus depreciation, however, the entire cost of qualified equipment is deducted in the year of purchase, and the only remaining bookkeeping challenge is keeping track of sales or other disposition of equipment for purposes of possible depreciation recapture.

Maine does not now, and has only rarely, conformed to federal bonus depreciation. Maine taxpayers making qualifying purchases therefore are required to track their depreciation annually for Maine purposes using the standard federal depreciation system, even in years when there was no reason to do so for federal purposes. The upfront costs of conforming with the federal system would be large: retroactive conformity for 2025 would be expected to reduce revenues by approximately \$103 million; conforming going forward would lead to a loss of approximately \$93 million in fiscal year 2026, \$75 million in fiscal year 2027, and less going forward (since this provision accelerates a tax deduction, rather than creating a new one).

⁶ “Business tax” is not a technical tax concept and is meant to provide a convenient organizing principle for this memorandum, rather than to suggest that the matters discussed below will all appear on business entity, rather than personal, tax returns or to imply that the matters below relate just to corporate income taxes. For instance, Opportunity Zone investments are made by business entities, but many of the benefits flow through to the personal tax returns of owners of those entities.

⁷ There is substantial overlap between property eligible for bonus depreciation and property eligible for expensing under Section 179; a taxpayer may take one or the other, but not both, with respect to property eligible under both sections.

Accelerated Depreciation for Qualified Production Property

The 2025 Act creates a new, elective 100% depreciation deduction for “qualified production property” placed in service after July 4, 2025. “Qualified Production Property” is nonresidential real property used as an integral part of certain production activities, which generally include manufacturing, production (for agricultural and chemical producers) or refining of qualified products meeting other specified criteria. The statute goes into considerable detail on each of those terms and conditions. Similar to bonus depreciation, unless Maine affirmatively chooses to conform, Maine taxpayers who elect 100% federal depreciation under this provision will have to separately account for depreciation on the property for Maine tax purposes.

Should Maine choose to retroactively conform for 2025, the cost would be just under \$6 million. Going forward, the cost would be approximately \$7.7 in reduced revenues in 2026, and on the order of \$23 to \$26 million per year for 2027 through 2029.

Research and Experimentation/R&D expenses

The 2025 Act creates a new Code section 174A, which allows taxpayers to immediately deduct domestic research and experimental (R&D) expenditures, including software development costs, paid or incurred in 2025 and later years. Alternatively, taxpayers can elect to capitalize and amortize domestic R&D expenditures over a period of at least 60 months. Under federal law (both the 2017 and 2025 Act), a U.S. company’s foreign research and experimental expenditures would still be amortized over 15 years, as provided under current law.⁸ The 2025 Act also contains catch-up provisions, allowing certain small businesses to amend their returns for 2022 through 2024 to retroactively apply this rule for expenses incurred during those tax years. Further, all qualifying businesses may elect to deduct the unamortized balance of previously capitalized domestic R&E expenses—either entirely in 2025, or ratably over 2025 and 2026.

This change restores the R&D expense treatment that existed under both federal and Maine tax law prior to the Tax Cuts and Jobs Act of 2017 (the “2017 Act”). Conforming to the entire federal change (including immediate expensing for 2025 expenses as well as the retroactive amendments and the catch-up deduction of the unamortized balance of previously capitalized domestic R&D expenses) would cost approximately \$136 million for tax year 2025.

The Governor’s directions to the Assessor regarding compliance with tax year 2025 filing allowed small businesses to amend their 2022 through 2024 returns. The Supplemental Budget would bring those businesses to full, immediate conformity.

⁸ Potential constitutional concerns with state conformity to the federal treatment of foreign research and experimental expenditures have been raised, but to date, conformity to this treatment since the 2017 Act has been commonplace.

Business Interest Deduction Adjustments

Under federal law, businesses are allowed to deduct interest they pay, subject to certain limits. However, in order to prevent abuse of this rule, federal tax law caps the amount of the interest deduction to 30% of “adjusted taxable income,” plus certain other specified amounts for most business taxpayers. The 2025 Act expands the definition of “adjusted taxable income,” by defining it as an amount prior to deductions for depreciation, amortization and depletion.⁹ By increasing the amount of income that qualifies as “adjusted taxable income,” the 2025 Act essentially increases the cap on deductible interest. Conforming to this provision of the 2025 Act would reduce State revenues in fiscal year 2027 by approximately \$6 million.

The 2025 Act also makes a few related, but less fiscally impactful adjustments to the calculation of adjusted taxable income. First, the 2025 Act excludes Subpart F and net CFC tested income (and any associated IRC Section 78 gross up) from ATI, thereby reducing the allowable deduction for affected taxpayers. Conforming to this provision would raise approximately \$900,000 in fiscal year 2027.

Secondly, under current law, before calculating the amount of the limit, taxpayers may apply rules subjecting components of their interest expense to disallowance, capitalization, and other rules. Thus, any interest that must be capitalized is excluded from the calculation of the amount of interest subject to the disallowance. The 2025 Act changes this rule for tax years beginning after 2025, providing that the limit on the amount of deductible interest is calculated before the application of interest capitalization rules. After applying those rules, allowable interest is allocated first to the portion of the interest that is capitalized, and only the remainder can be deducted. Conforming to this provision would increase state revenue by approximately \$660,000 in fiscal year 2027 and \$800,000 in fiscal year 2029 relative to the current baseline.

Section 179 Expensing

Section 179 of the federal Code allows immediate expensing of certain business property. Prior to the enactment of the 2025 Act, there was an annual statutory limit—\$1,250,000 for property purchased in 2025—on the amount eligible for section 179 expensing. Further, the limit was phased down once property placed in service during the year exceeds a certain threshold—\$3,130,000, for 2025 property—so that the more property that is placed in service, the less is eligible for immediate expensing under section 179.

The 2025 Act changed the statutory limit to \$2,500,000 and the phasedown threshold to \$4,000,000 for property acquired after December 31, 2024; both amounts will be adjusted for inflation going forward.

⁹ Technically, this is a reversion to the definition of “adjusted taxable income” applicable prior to 2022 when the limit became more restrictive.

Unlike bonus depreciation, Maine conforms with the 2017 Act federal law for purposes of section 179 expensing. The Governor directed the Assessor to retroactively conform with the 2025 Act's increased expensing limits for tax year 2025, with an estimated cost of just under \$2 million. Should the Legislature confirm this treatment going forward, the reduced revenues to the state will be comparable for each of the 2027 through 2029 fiscal years.

Terminate Accelerated Cost Recovery System (ACRS)

Under pre-2025 Act law, production of certain types of clean energy property, such as solar panels, wind turbines, fuel cells, and similar goods, was eligible for accelerated depreciation over a five-year period. The Act removes this eligibility for property for which construction begins in 2025 or later, meaning they will be depreciated over longer periods, with the term depending on the type of property produced. Conforming to this provision would result in a negligible revenue gain. The Governor has directed the Assessor to retroactively apply this provision to 2025 tax year administration.

Floor Calculation on Deduction of Charitable Contributions Made by Corporations

Corporations, like individuals, may deduct charitable contributions under certain circumstances. For tax years beginning on or after January 1, 2026, the 2025 Act creates a new 1% floor on gross income for corporate deductible charitable contributions. For example, a corporation with \$1 billion in gross income can only deduct contributions exceeding \$10 million. Furthermore, under both pre-2025 Act and 2025 Act Law, the corporation's charitable deduction is limited to 10% of gross income, or \$100 million in this example. Contributions disallowed due to either the floor or ceiling on the contribution deduction may be carried forward for up to five years.

Conforming to this provision would increase state revenue by approximately \$2 million per year starting in fiscal year 2027.

Excessive Employee Remuneration From Controlled Group Members and Allocation of Deduction

Under the law as of December 31, 2024, Code section 162(m) limited the amount that publicly held corporations could deduct for compensation of certain top executives to \$1 million per year. The 2025 Act expands the reach of this section by including compensation paid to such executives by other members of the corporate controlled group as well as its "affiliated service group." The Act also has rules regarding how to allocate the deduction between members of the controlled group.

Conforming to the provision would increase state revenue by approximately \$1 million annually.

Exception to Percentage of Completion Method for Certain Residential Construction Contracts

Under prior law, most developers of multi-family residential housing were required to calculate their federal income using the “percentage of completion” method of accounting, which provides that for multi-year construction projects, income will be recognized (and, therefore, deductible costs will be treated as incurred) prior to completion of construction, even if there are no corresponding revenues to offset the (theoretical) income as the project came closer and closer to completion. There was another, more generous method of accounting, called the “completed contract” method, by which income would only be recognized when the project was placed in service, but this method was only available to relatively small taxpayers, and was generally only available for construction projects relating to developments with four or fewer residential units.

The 2025 Act expands eligibility for the “completed contract” method, making it available for all developers, regardless of size, with respect to contracts entered into after July 4, 2025. The 2025 Act includes a variety of requirements for qualifying projects, but is generally more permissive than the old, four-unit test.

We estimate that conforming would reduce state income tax revenue by approximately \$728,000 in 2027. The revenue loss declines significantly over time, because this provision affects the timing, but not the amount, of income recognition.

Expansion of Qualified Small Business Stock Gain Exclusion

Under current law, noncorporate taxpayers who own “qualified small business stock” for more than five years are potentially eligible to exclude some or all of the gain they realize on the sale or exchange of that stock from gross income. Generally, qualified small business stock is stock in small companies, usually start-ups, and the stock must be acquired directly from the company (often, although not necessarily, in exchange for services performed or early investments). The amount of excludable gain was limited to the greater of \$10 million (for married taxpayers filing jointly; \$5 million for others) or ten times the taxpayer’s adjusted basis in such stock. Stock held for less than five years from issuance was not eligible for any such exclusion.

The 2025 Act makes several changes to this system. First, it allows taxpayers to exclude a portion of their gain on stock acquired after July 4, 2025, and held for fewer than 5 years. If such qualified small business stock has been held for 3 years, taxpayers may exclude 50% of the gain; if it has been held for 4 years, they may exclude 75% of the gain. The 2025 Act also substitutes \$15 million for \$10 million for purposes of the cap on excludable amount and provides that figure will be adjusted for inflation going forward.

Current law provides that a “qualified small business” is one which, among other requirements, has aggregate gross assets that do not exceed \$50 million at any point before or

immediately after the issuance of the stock. The 2025 Act increases that amount to \$75 million and provides an inflation adjustment going forward.

Conforming to this change would have a minimal state revenue impact for the next three years because only stock issued after July of 2025 qualifies under the new rules, and because none of the new rules would apply to any stock sold before July 2028. The revenue loss is estimated to eventually grow to \$3 - \$4 million per year.

Extension and Enhancement of Paid Family and Medical Leave Credit

The 2017 Act created a credit for payments made under a qualifying paid family and medical leave plan. This was a temporary credit which was extended several times and was scheduled to expire at the end of 2025. Maine responded to this federal credit by enacting a State income tax credit equal to the federal credit with respect to wages paid to employees based in the State.

The 2025 Act makes the credit permanent and revises the operational rules to make offering qualifying plans more attractive for employers. Among other changes, beginning in 2026, an employer may claim a credit for a percentage of the premiums paid or incurred during the tax year for insurance policies in force during the tax year that provide family and medical leave coverage, rather than claiming the credit only for wages paid to qualifying employees actually on leave.

There is significant overlap and uncertain policy and fiscal impact interactions between this credit and those of the recently enacted State Paid Family Medical Leave Act (PFMLA) which goes into effect in 2026.

International Reforms: GILTI/NCTI

Under the 2017 Act, U.S. shareholders of controlled foreign corporations (“CFCs”) must include their pro rata share of a CFC’s global intangible low taxed income (GILTI) in gross income, even if such amount is not actually distributed to the U.S. shareholder. The calculation of GILTI included an exclusion of 10% of qualified business asset investment (QBAI), theoretically removing the portion of income attributable to tangible business assets and leaving that attributable to intangible assets. This provision is generally intended to curtail tax avoidance achieved by locating income-producing intangible assets in low-tax jurisdictions. The shareholders are allowed a deduction for a portion of the GILTI income (starting at 50% dropping to 37.5% in tax year 2026) and are allowed to apply 80% of the foreign tax credits generated by those CFCs (deemed foreign tax credits, or “FTC”s) against the federal tax.

Maine conformed to the taxation of GILTI but decoupled from the federal GILTI deduction – instead applying its own 50% deduction based on the historical application of the deduction to dividends and constitutional considerations. In addition, Maine, like other states, does not allow the application of foreign tax credits.

The 2025 Act makes several changes to GILTI. First, it renames the income to Net CFC Tested Income (NCTI). Second, it removes the exclusion for QBAI. Third, it adjusts the calculation of deemed FTCs. Fourth, it allows the application of 90%, instead of 80%, of those deemed FTCs against the tax imposed on GILTI. And fifth, it permanently sets the GILTI deduction to 40%. Because Maine does not conform to the federal deduction or the application of FTCs (or related “gross-up” income), those changes do not create conformity issues for M.R.S. or the State.¹⁰

Conforming to the removal of the QBAI exclusion in calculating GILTI/NCTI would raise state revenue by approximately \$1.8 million annually.

International Reforms: Other

The 2025 Act made permanent IRC §954(c)(6) look-through for Subpart F income received or accrued from a CFC from another CFC. This rule preserves the ability to look through to the underlying income of the CFC payor to determine if it would have been taxable as Subpart F income at that level. This look-through treatment was originally enacted as a temporary measure in the Tax Relief Extension Reconciliation Act of 2005 and extended multiple times, most recently by the 2020 Taxpayer Certainty and Disaster Tax Relief Act.

The 2025 Act also repeals the IRC § 898(c) election. As a result, CFCs must now conform to the majority U.S. shareholder’s tax year (effective for CFC years beginning after Nov. 30, 2025) without the ability to elect a tax year that begins a month before the taxable year of the majority U.S. shareholder.

The 2025 Act again prohibits downward attribution from foreign persons to U.S. persons under IRC §958(b)(4), which had been repealed under the 2017 Act. Simultaneously, new IRC §951B introduces “foreign controlled foreign corporations” (FCFCs) and “foreign controlled U.S. shareholders” (FCUSs), applying constructive ownership rules through a foreign parent. The 2025 Act also now requires a U.S. shareholder that owned CFC stock at any time during the year to include its pro rata share of Subpart F and GILTI income (previously measured only based on yearend ownership) pursuant to IRC § 951(a). Decoupling from any of these international reform provisions would be very complicated for taxpayers and tax administrators.

Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers

The 2017 Act introduced a limitation on the ability of noncorporate taxpayers (typically, owners of pass-through entities such as S corporations and LLCs) to deduct business losses against non-business income. Under the limitation, to the extent that an individual taxpayer’s business-related deductions exceed the sum of (a) their total business income and (b) a

¹⁰ Although the name change will result in the need for technical corrections to provisions of the Maine statutes that refer to the old federal term.

“threshold amount” (under prior law, \$626,000 for joint filers in 2025/ \$313,000 for others), they are not entitled to use the excess in the year of the losses; instead, the excess becomes a net operating loss, available for use in future years.

The excess business loss limitation was scheduled to expire in 2028. However, the 2025 Act made it permanent and made an adjustment to the inflation adjustment calculation that slightly reduces the limit relative to pre-Act law.

Conforming to the excess business loss limitation changes initially results in a minor increase to state revenues relative to pre-2025 Act Law. However, beginning in tax year 2029, the permanent extension of the limit is estimated to increase state revenue relative to pre-2025 Act law by \$3 million or more per year.

Permanent Renewal and Enhancement of Opportunity Zones

The 2017 Act created tax incentives for “Opportunity Zones,” which were zones, designated by the governors of each state, with median incomes of less than 80% of area or state median income. Investors who sold property producing capital gains could roll those gains into an Opportunity Zone investment and defer recognition of the gain; further, if the investment was held long enough, the taxpayer’s basis in the investment was increased, effectively permanently excluding some of the capital gain from taxation. The provision creating Opportunity Zones was scheduled to expire on December 31, 2026.

The 2025 Act makes several changes to Opportunity Zones. First, the provision is made permanent. Second, a new category of Opportunity Zones—zones in rural communities—get special, additional tax benefits, principally a 30% basis step-up for qualified investments held for more than five years. Other provisions of the Opportunity Zone program were made stricter. Going forward, qualifying zones will have to be at or below 70% (rather than 80%) of median income, and enhanced reporting requirements (including penalties for non-compliance) are imposed on Opportunity Zone developers.

Conforming to the federal treatment of investments affects the timing of income recognition (by allowing deferral of gains that would otherwise be immediately recognized) and the amount of income recognition (by increasing the taxpayer’s basis in the investment, and exempting a portion of the eventual gains). The initial state revenue loss, estimated at \$5.25M in FY 2027 and \$9 to \$10M in fiscal years 2028 and 2029, will be higher than the revenue loss in later years, both because it covers the peak investment years for the upcoming 10-year cycle and because the capital gains deferral has not ended for any new investment made during these tax years.

Treatment of Payments from Partnerships to Partners for Property or Services

Under current law, the IRS has the authority to issue regulations permitting it to recharacterize certain disguised sales of property to partnerships, as well as certain transactions

where distributions or allocations are directly or indirectly made to a partner nominally in consideration of services performed for the partnership, but where the allocation and distribution are more properly characterized as a transaction between the partnership and the partner acting in a capacity other than a partner.

The IRS has never implemented regulations outlining how this would work, and therefore under current law, there is an argument that such transactions cannot be recharacterized. The 2025 Act eliminates the language requiring the IRS to issue regulations in order to have this authority, so field agents may now challenge the characterization of such partner/partnership transactions where they find the economic substance does not match the terms used by the parties.

Conforming would be expected to generate approximately \$1.5 million per year in additional tax revenues.

Miscellaneous Business Provisions

Other, less fiscally significant provisions of the 2025 Act affecting corporations and businesses are the: exceptions from limitations on deduction for business meals, tax credit for contributions of individuals to scholarship granting organizations, nonprofit community development activities in remote native villages, adjustment of charitable deduction for certain expenses incurred in support of Native Alaskan subsistence whaling, restoration of the taxable REIT subsidiary asset test, termination of energy efficient commercial buildings deduction, and termination of cost recovery for energy property.

C. Indirect Conformity Items Relevant to Maine's Consideration of the 2025 Act

Increase in Standard Deduction

Prior to the 2025 Act, the federal standard deduction for 2025 was scheduled to be \$15,000 for single taxpayers and married taxpayers filing separately, \$22,500 for taxpayers filing as head of household, and \$30,000 for married taxpayers filing jointly. The 2025 Act slightly increases those amounts, effective for tax year 2025, to \$15,750, \$23,625, and \$31,500, respectively.

Maine law currently provides that for tax year 2025,¹¹ the standard deduction is equal to the federal standard deduction, subject to phase-out for certain high-income taxpayers. Since

¹¹ P.L. 2023, c. 412 amended the standard deduction to maintain consistent levels after the 2017 Act's increased standard deduction expired at the end of 2025. The Maine standard deduction for tax years 2026 and later will need to be updated to account for the changes made by the Act, either by adopting the increased federal standard deduction or maintaining the current benefit level enacted by P.L. 2023, c. 412. Note that this is not a strict conformity item—merely updating the date of conformity would not change the Maine standard deduction amount

Maine currently conforms to the Code as of December 31, 2024, under existing law, Maine would conform to the pre-Act standard deduction amounts, rather than the amounts as modified. If Maine opts to conform to the Act changes for 2025, the amount of the standard deduction would be increased slightly and overall revenues would be reduced by approximately \$31 million.¹²

The Governor has not directed the Assessor to conform to the increased standard deduction for the 2025 tax year. The 2025 tax filing season is currently underway. Conforming to the federal standard deduction would reduce state revenues by approximately \$34 million on an annual basis.

Individual Charitable Contributions

The 2025 Act changes the way individuals calculate their charitable contribution deductions, though the rules are slightly different for itemizers and non-itemizers. For itemizers, prior to the 2025 Act, individual taxpayers who itemized deductions had no floor for charitable contribution deductions—no matter how small the contribution, it was deductible. Under the 2025 Act, a taxpayer may only deduct contributions exceeding 0.5% of the taxpayer’s “contribution base” (which is, with minor modifications, Federal AGI [“FAGI;” for pronunciation purposes, each letter is pronounced separately]). For example, a taxpayer with FAGI of \$100,000 who contributes \$1,000 to charities in 2025 and itemizes deductions would have a floor of \$500 ($\$100,000 \times 0.5\%$) and would only be entitled to deduct \$500 in charitable contributions on her 2025 return. Excluded amounts can be carried forward to future years.

Similarly, under prior law, there is a cap on the amount of a taxpayer’s contribution base that can be deducted in any given year. The cap depends on the type of charities receiving the contributions; for “public charities,” the cap is 50% of the taxpayer’s FAGI. However, there was a special exception for tax years 2018 – 2025, providing that if individuals donate cash to public charities, the cap is 60%, rather than 50% of FAGI. The 2025 Act makes permanent the 60% ceiling for cash gifts to public charities.

The 60% cap for cash gifts to public charities is estimated to have a negligible cost to the state; the 0.5% floor would result in an increase in the amount of tax revenue retained in the General Fund of approximately \$200,000 per year.

For individuals who do not itemize their deductions—that is, the 94% or so of taxpayers who take the standard deduction—charitable contributions were not deductible. There was a temporary exception to this rule for tax years 2020 and 2021, during which even non-itemizers were allowed to deduct up to \$300 (\$600, if married). Under the 2025 Act, non-itemizers may deduct up to \$1,000 (\$2,000, for married taxpayers filing jointly) in charitable contributions, in

automatically—but Maine has often coupled to the federal standard deduction by statute, and the Governor’s Supplemental Budget would do so for tax years 2026 and forward.

¹² All revenue estimates in this memo are preliminary and likely to change as further information becomes available.

addition to the standard deduction. Conformity with this provision is estimated to reduce revenue by approximately \$9 million in the 2027 fiscal year.

Senior Deduction

The 2025 Act creates a new deduction of up to \$6,000 per “qualifying individual,” for tax years 2025 through 2028. “Qualifying individuals” are taxpayers aged 65 and older who provide a valid Social Security Number on their returns. The deduction is reduced by an amount equal to 6% of the taxpayer’s modified gross income in excess of \$75,000 (\$150,000 for married taxpayers filing jointly) but can never be less than zero.

This is a below-the-line deduction, meaning it is not a direct conformity item. Retroactively applying this provision to 2025 would reduce FY 2025 revenues by approximately \$31 million. Applying it going forward would result in a reduction of approximately \$42 million in fiscal year 2026, \$32 million in fiscal 2027, \$30 million in 2028, and \$18 million in 2029.

“No Tax on Tips”

The 2025 Act provides a temporary federal deduction for tips received by employees in certain industries. The deduction is capped at \$25,000 per year per taxpayer, though it phases out by \$100 for every \$1,000 of modified adjusted gross income above \$150,000 (or \$300,000, for married taxpayers filing jointly). Tips are only deductible if they are received voluntarily in connection with employment in an industry where the IRS deems tipping customary, are properly reported to the IRS, and meet other eligibility requirements. The federal deduction will be available for tax years 2025 through 2028.

This is another below-the-line, non-direct conformity item. If Maine were to adopt a similar deduction and apply it retroactively to 2025, it would result in approximately \$9 million in reduced revenues for tax year 2025. Full adoption going forward would reduce revenues by approximately \$13 million in fiscal year 2026, \$10 million in 2027 and 2028, and \$6 million in 2029.

“No Tax on Overtime”

The 2025 Act also includes a temporary federal deduction for certain overtime pay. The deduction is capped at \$12,500 per year (\$25,000 for joint filers), and phases out by \$100 for every \$1,000 of modified adjusted gross income above \$150,000 (\$300,000 for joint filers). Structurally, the provision is very similar to the deduction for tip income: the deduction is below-the-line for federal purposes, is available only for tax years 2025 through 2028, and is available to taxpayers regardless of whether they take the itemized deduction.

Retroactively allowing a similar deduction for 2025 would reduce tax year 2025 revenues by approximately \$28 million. Allowing deductions for overtime pay for tax years 2026 through 2028 would result in revenue losses of approximately \$30 million in each of fiscal years 2027 and 2028, and perhaps \$18 million in fiscal year 2029.

Temporary Deduction for Car Loan Interest

Generally speaking, individuals cannot deduct ‘personal interest,’ meaning interest incurred in connection with a loan to purchase property for personal use. The 2025 Act creates a temporary federal exception to that rule: for tax years 2025 through 2028, individuals can deduct up to \$10,000 of car loan interest per year, subject to a phase-out for taxpayers with more than \$100,000 of modified adjusted gross income (\$200,000 for joint filers). The debt must be incurred after December 31, 2024, for the purchase of a new personal use vehicle with a gross vehicle weight rating of under 14,000 pounds, for which final assembly was completed within the United States, and which meets certain other requirements.

This too is a below-the-line deduction for Federal purposes, and therefore not a direct conformity item. If Maine were to adopt a similar deduction retroactive to 2025, the revenue loss to the state is approximately \$9 million. Going forward, allowing a State deduction for the other remaining years of the federal deduction would reduce revenues by approximately \$10 to \$15 million over each of fiscal years 2026 through 2028.

Increased Deduction for State and Local Taxation

The 2017 Act capped the individual federal deduction for state and local taxes at \$10,000. That cap was scheduled to sunset on December 31, 2025. The 2025 Act made the limitation permanent and temporarily increases the cap from \$10,000 to \$40,000 for tax years 2025 through 2029.¹³

The deduction for state and local taxes (often referred to as “SALT”) is a below-the-line deduction and therefore is available only to taxpayers who itemize their federal deductions (although quadrupling the amount of the potential state and local tax deduction will likely increase the proportion of Mainers who choose to itemize deductions). Further, Maine has traditionally not permitted a deduction for state and local sales and income taxes, though it does allow an income tax deduction for the amount of local property tax paid.

Because Maine does not allow a deduction for state and local income taxes and does not currently conform to the \$10,000 federal cap with respect to property taxes, this provision is not a strict conformity item. Moreover, since it is fundamentally about the federal treatment of state tax payments, for the state to provide conforming benefits would simply reduce the revenue generated by the income tax, requiring compensating adjustments to other taxes or an increase in income tax rates that would make this provision economically meaningless. However, there is an element in which state policy has a role to play with respect to these changes.

Many states have responded to the cap on federal state and local tax deductions by creating a new, entity-level tax (often called a “Pass-Through Entity Tax” or “PTET”) coupled

¹³ The cap is increased by 1% per year during that period; it is also subject to phaseout for taxpayers with federal Modified Adjusted Gross Income greater than \$250,000 (or \$500,000, for taxpayers filing jointly) in 2025 (the phaseout threshold is also increased by 1% per year for each year during the period).

with a credit for individual members of the entity, which effectively allows owners of certain sorts of “pass-through entities” to cause the entity, rather than its owners, to pay state tax on the income it generates, and then gives the owners a credit for the amount of tax paid on their behalf by the pass-through entity. Maine has not adopted such a statute, although the Legislature has considered it and the Governor’s Supplemental Budget proposal includes one. Under current IRS guidance, there is no limit to the amount of state tax that may be deducted for federal purposes if the tax is paid at the entity level; thus, a PTET regime allows a tax benefit to certain high-income taxpayers, without costing the state any net tax revenues. Although the increased cap on state and local taxes will reduce the demand on Maine to establish a similar PTET regime, it would still be of benefit to a significant number of taxpayers.

Appendix:

Table A: Direct Conformity – Individual Income Tax Items

Direct Individual Conformity Provisions	Fiscal Year			
	2026	2027	2028	2029
(1) Enhancement of Child and Dependent Care Credit	\$0	-\$1,760,000	-\$1,750,000	-\$1,700,000
(2) Enhancement of Dependent Care Assistance Program	\$0	-\$515,500	-\$376,000	-\$395,000
(3) Exclusion for Employer Payments of Student Loans	\$0	-\$1,435,000	-\$1,080,000	-\$1,155,000
(4) Extension of Limitation on Deduction and Exclusion for Moving Expenses	\$0	\$621,000	\$639,000	\$658,000
(5) Extension and Modification of Limitation on Deduction for Qualified Residence Interest	\$0	\$210,000	\$210,000	\$210,000
(6) Termination of Non-Education Miscellaneous Itemized Deductions	\$0	\$1,500,000	\$1,500,000	\$1,500,000
(7) Miscellaneous (Individual) (c. 336) **	\$0	-\$140,000	-\$140,000	-\$140,000

Table B: Direct Conformity – Business Tax Items

Direct Business Conformity Provisions	Fiscal Year			
	2026	2027	2028	2029
(8) Bonus Depreciation	-\$92,610,000	-\$75,040,000	-\$45,340,000	-\$33,290,000
(9) Accelerated Depreciation for Qualified Property	-\$8,960,000	-\$26,630,000	-\$30,080,000	-\$28,190,000
(10) R&D Expense Deduction (c. 336)	-\$111,103,000	-\$30,870,000	-\$20,500,000	-\$11,940,000
(11) Business Interest Deduction Limitation: EBITDA income measure (c. 336)	\$0	-\$6,160,000	-\$5,010,000	-\$4,300,000
(12) Business Interest Deduction Limitation: Subpart F and Net CFC Tested Income	\$0	\$900,000	\$850,000	\$750,000
(13) Coordination of Business Interest Limitation with Interest Capitalization Provisions	\$0	\$660,000	\$690,000	\$800,000
(14) Sec. 179 Expensing (c. 336)	\$0	-\$2,200,000	-\$1,880,000	-\$1,570,000
(15) 1% Floor on Deduction of Charitable Contributions Made by Corporations	\$0	\$2,140,000	\$2,080,000	\$1,960,000
(16) Excessive Employee Remuneration	\$0	\$1,131,000	\$1,070,000	\$1,143,000
(17) Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts	\$0	-\$728,000	-\$267,000	-\$168,000
(18) Qualified Farm Property Capital Gains (c. 336)	\$0	-\$1,210,000	-\$835,000	-\$460,000
(19) Expansion of Qualified Small Business Stock Gain Exclusion	\$0	\$0	\$0	-\$145,000
(20) Paid Family Medical Leave Credit	Negligible Gain			

(21) Broadening of Net CFC Tested Income (NCTI) Inclusion	\$0	\$1,710,000	\$1,760,000	\$1,820,000
(22) Other International Tax Reforms **	\$0	\$92,000	\$63,000	\$11,000
(23) Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers	\$0	\$275,000	\$150,000	\$600,000
(24) Permanent Renewal and Enhancement of Opportunity Zones	\$0	-\$5,250,000	-\$9,760,000	-\$9,620,000
(25) Treatment of Payments from Partnerships to Partners for Property or Services	\$1,140,000	\$1,580,000	\$1,510,000	\$1,230,000
(26) Miscellaneous (Other) (c. 336) **	\$0	-\$110,000	-\$150,000	-\$180,000

Table C: Indirect Conformity Items Relevant to Maine's Consideration of the 2025 Act

Indirect Conformity Provisions	Fiscal Year			
	2026	2027	2028	2029
(27) Increase Standard Deduction	-\$42,166,000	-\$33,834,000	-\$32,052,000	-\$31,786,000
(28) 0.5% Floor on Deduction of Contributions Made by Individuals	\$0	\$200,000	\$200,000	\$200,000
(29) Charitable Contribution Deduction for Federal Non-Itemizers	-\$775,000	-\$9,000,000	-\$8,105,000	-\$8,390,000
(30) Senior Deduction	-\$42,152,500	-\$32,429,500	-\$30,550,000	-\$18,258,000
(31) No Tax on Tips	-\$13,070,000	-\$9,750,000	-\$10,140,000	-\$6,230,000
(32) No Tax on Overtime	-\$39,360,000	-\$29,370,000	-\$30,550,000	-\$18,760,000
(33) Deduction for Car Loan Interest	-\$9,380,000	-\$11,600,000	-\$14,820,000	-\$10,130,000

Table D: Total Revenue Impact of Conformity (Direct and Indirect)

Total Revenue Impact	-\$358,436,500	-\$267,013,000	-\$232,663,000	-\$175,925,000
General Fund Revenue	-\$340,514,675	-\$253,662,350	-\$221,029,850	-\$167,128,750

* "(c.336)" indicates that some or all of the referenced provision was included in the Governor's direction to the State Tax Assessor for tax year 2025.

** See Tables E, F, and G below for additional detail on the miscellaneous provisions.

Table E: Fiscal Impact of Individual Miscellaneous Provisions by Year (In Millions)

Individual Miscellaneous Provisions	Fiscal Year			
	2026	2027	2028	2029
Casualty Loss Deduction			Negligible	
Limitation on Tax Benefit of Itemized Deductions			Negligible	
Qualified Transportation Fringe benefits	\$0.00	-\$0.06	-\$0.06	-\$0.06
Limitation on Wagering losses	\$0.00	\$0.02	\$0.02	\$0.02
Modifications of Student Loan Exclusion	\$0.00	-\$0.10	-\$0.10	-\$0.10
ABLE Accounts			Negligible	
Sinai Peninsula			Negligible	
Trump Accounts			Negligible	
Contribution Pilot Program			Negligible	
Total Fiscal Impact	\$0.00	-\$0.14	-\$0.14	-\$0.14

Table F: Fiscal Impact of Miscellaneous International Provisions by Year (In Millions)

International Miscellaneous Provisions	Fiscal Year			
	2026	2027	2028	2029
Permanent Extension of look-thru rule for Related CFCs	-\$0.05	-\$0.36	-\$0.34	-\$0.36
Repeal of Election for 1-month Deferral in Determination of Taxable Year of Specified Foreign Corporations	\$0.02	\$0.13	\$0.02	\$0.00
Restoration of Limitation on Downward Attribution of Stock Ownership in Applying Constructive Ownership Rules	-\$0.01	-\$0.11	-\$0.07	-\$0.08
Modifications to Pro Rata Share Rules	\$0.04	\$0.43	\$0.45	\$0.45
Total Fiscal Impact	\$0.00	\$0.09	\$0.06	\$0.01

Table G: Fiscal Impact of Other Miscellaneous Provisions by Year (In Millions)

Other Miscellaneous Provisions	Fiscal Year			
	2026	2027	2028	2029
Exceptions from Limitations on Deduction for Business Meals			Negligible	
Tax Credit for Contributions of Individuals to Scholarship Granting Organizations			Negligible	
Additional Items Treated as Qualified Expenses (529 Accounts)			Rolling Conformity (N/A)	
Nonprofit Community Development Activities in Remote Native Villages			Negligible	
Adjustment of Charitable Deduction for Certain Alaskan Whaling Expenses			Negligible	
Restoration of Taxable REIT Subsidiary Asset Test	-\$0.01	-\$0.11	-\$0.15	-\$0.18
Termination of Energy Efficient Commercial Buildings Deduction			Negligible	
Termination of Cost Recovery for Energy Property			Negligible	
Total Fiscal Impact	-\$0.01	-\$0.11	-\$0.15	-\$0.18