



Maine Revenue Services 2020 Income Tax Update

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2020 Maine Income/Estate Tax Developments

Overview

- COVID-19 Tax Update
- Federal Coronavirus Legislation: Maine Tax Conformity and Implications
- 129th 2nd Tax Legislation



2020 Maine Income/Estate Tax Developments

COVID-19 Tax Update

COVID-19 FAQ:

<https://www.maine.gov/revenue/faq/covid19>

Maine Tax Alerts:

<https://www.maine.gov/revenue/publications/maine-tax-alerts>



2020 Maine Income/Estate Tax Developments

Tax filing and payment extension to July 15, 2020.

- General state tax extension
- Other extensions

See Maine Tax Alerts: March 2020 #3 and April 2020 #5.





2020 Maine Income/Estate Tax Developments

Nonresident providing disaster relief in Maine during the COVID-19 pandemic.

Income may not be taxable in Maine

- Taxpayer's presence in the State
- Relation to the disaster
- Services requested

Applies to:

- Compensation
- Trade or business income

36 M.R.S. § 5142(8-B)(D). See also Executive Order 53 FY19/20, extending these provisions through 30 days after the termination of the state of emergency.



2020 Maine Income/Estate Tax Developments

Businesses providing disaster relief in Maine during the COVID-19 pandemic.

Receipts may be excluded from the sales factor

- Taxpayer's business activity in the State
- Relation to the disaster
- Services requested

36 M.R.S. § 5211(16-B). See also Executive Order 53 FY19/20, extending these provisions through 30 days after the termination of the state of emergency.



2020 Maine Income/Estate Tax Developments

Education Opportunity Tax Credit

CARES Act and federal Executive Order suspension of federal education loan payments

Temporarily laid off due to COVID-19

36 M.R.S. § 5217-D



2020 Maine Income/Estate Tax Developments

Statutory Residence

Statutory residence for individuals who are domiciled outside of Maine but maintain a second home in the State and may be spending more time at their Maine home this year.

Normal statutory resident rules apply.

36 M.R.S. § 5102(5)(B)



2020 Maine Income/Estate Tax Developments

Federal Coronavirus Legislation: Maine Tax Conformity and Implications

Families First Coronavirus Response Act, Pub. L. No. 116-127

Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136



2020 Maine Income/Estate Tax Developments

Maine Revenue Services Reports and Guidance

Office of Tax Policy – May 7th Report

Office of Tax Policy – July 24th Report Update, Legislative Proposal and Draft Legislation

- <http://legislature.maine.gov/ofpr/129th-taxation-committee-information/9608>

June Tax Alert: Governor Mills Considering Conformity Legislation in Response to Recent Federal Tax Law Changes

July Tax Alert: Maine Revenue Services (MRS) Issues Guidance Relative to Nonconformity with Recent Federal Tax Law Changes for Tax Years 2018 and 2019

- <https://www.maine.gov/revenue/publications/maine-tax-alerts>
- <https://www.maine.gov/revenue/tax-return-forms>



2020 Maine Income/Estate Tax Developments

Title 36/IRC Conformity Major Items	Tax Year(s) Affected
Modify limit on non-corporate losses	2018-2020
Increase interest deduction cap to 50% of income	2019 and 2020
Qualified improvement property	2018 and later
Charitable contribution limits	2019 and 2020
Net operating losses (NOLs)	2018-2020
Credits for paid sick and family leave <ul style="list-style-type: none">• Denial of double benefit	2019 and 2020
Forgiveness of paycheck protection program loans <ul style="list-style-type: none">• Potential denial of double benefit	2019 and 2020
Employee retentions credit <ul style="list-style-type: none">• Denial of double benefit	2019 and 2020
Charitable contribution above-the-line deduction	2020
Qualified retirement accounts	2020 and later
Exclusion of employer student loan payments	2020
Expansion of HSA/FSA qualified expenses	2020 and later
Expansion of Telehealth and HSAs	2020 and 2021
Revenue Forecasting Items	
Suspend RMDs	
Single-employer plan delay in contribution	



2020 Maine Income/Estate Tax Developments

Modify limit on non-corporate losses

- The excess business loss limitation (for losses over \$250,000 for individuals and \$500,000 for married filing joint returns) applicable to noncorporate taxpayers is repealed for tax years 2018-20.
- MRS instructions: subtraction and addition modifications



2020 Maine Income/Estate Tax Developments

Increase interest deduction cap to 50% of income

- The amount of interest expense that businesses can deduct is increased from 30% to 50% of adjusted taxable income for 2019 and 2020.
- Taxpayers may use 2019 adjusted taxable income for both tax years.
- MRS instructions: addition modification



2020 Maine Income/Estate Tax Developments

Qualified improvement property

- “Technical” correction to federal TCJA error—qualified improvement property will be depreciable over 15 years rather than 39 years, qualifying it for bonus depreciation.
- MRS instructions: subtraction and addition modifications
- Maine Capital Investment Credit



2020 Maine Income/Estate Tax Developments

Charitable contribution limits

- The deduction limitations for charitable contributions are increased for 2020
- Fiscal year 2019
- MRS instructions: addition modification



2020 Maine Income/Estate Tax Developments

Net operating losses (NOLs)

NOLs arising in a tax year beginning in 2018, 2019 or 2020 can be carried back five years.

In addition, the NOL deduction limit (80% of taxable income) is suspended so that NOL carryforwards are fully deductible.

- Effective conformity

MRS Instructions:

- Existing subtraction and addition modifications for the NOL carryback disallowance
- No modifications for the deduction limit suspension



2020 Maine Income/Estate Tax Developments

Forgiveness of paycheck protection program loans

- Federal non-taxability of COD income; disallowance of associated deductions
- State nonconformity: taxability of COD income and allowance of associated deductions
- Different methods but similar federal and State outcomes
- MRS instructions: subtraction and addition modifications



2020 Maine Income/Estate Tax Developments

Credits for paid sick and family leave

Employee retentions credit

- Denial of double benefit
- MRS instructions: subtraction modifications



2020 Maine Income/Estate Tax Developments

Tax law changes taking effect in tax year 2020

MRS has not yet released tax year 2020 filing instructions

- Charitable contribution above-the-line deduction
- Qualified retirement accounts
- Exclusion of employer student loan payments
- Expansion of HSA/FSA qualified expenses
- Expansion of Telehealth and HSAs



2020 Maine Income/Estate Tax Developments

Revenue forecasting items

- Suspend required minimum distributions
- Single-employer plan in contribution



2020 Maine Income/Estate Tax Developments

129th 2nd Tax Legislation Update

- Effective date
- General Provisions
- Tax years beginning in 2020
- Tax years beginning in 2021

See the 2020 Summary of Tax Law Changes at www.maine.gov/revenue/rules (click on "2020 Tax Law Changes" at top)



2020 Maine Income/Estate Tax Developments

Effective Date

The effective date for 2nd Regular Session general (non-emergency) legislation is June 16, 2020.

- Emergency legislation
- Application dates

Constitution of Maine, Article IV, Part Third, Section 16

General Provisions



2020 Maine Income/Estate Tax Developments

Denial, suspension or revocation of license

Potential revocation of license

- Unpaid final tax liabilities
 - Over \$1,000
 - After 15 days from notice (reduced from 60)

Applies to:

- Liquor licensees
- Motor vehicle dealers
- Adult use marijuana licensed establishments

36 M.R.S. § 172; L.D. 2047, P.L. 2019, c. 659, Pt. F



2020 Maine Income/Estate Tax Developments

Refund and assessment statute of limitations

- General statute of limitations: 3 years from time return is filed or required to be filed.
- Now without regard to any extensions.
- Applies retroactively to tax years beginning on or after January 1, 2017.

36 M.R.S. §§ 141(1), 5231(1-A), 5278(1), and 5278(5)(A); L.D. 2047; P.L. 2019, c. 659, Pt. G



2020 Maine Income/Estate Tax Developments

Real estate withholding

Withholding required:

- Property acquired from a nonresident
- Consideration paid is \$100,000 or more (up from \$50,000)

Applies to sales occurring on or after January 1, 2021.

Other exceptions to the Maine real estate withholding requirement apply.

36 M.R.S. § 5250-A(3)(C); L.D. 2047, P.L. 2019, c. 659, Pt. C, § 2

Changes applicable to tax years beginning in 2020



2020 Maine Income/Estate Tax Developments

ABLE savings account subtraction modification

For tax years beginning on or after January 1, 2020, earnings on funds held in a qualified Achieving a Better Life Experience (ABLE) account are deductible in calculating Maine taxable income.

36 M.R.S. § 5122(2)(QQ); L.D. 1637; P.L. 2019, c. 348



2020 Maine Income/Estate Tax Developments

Maine capital investment credit / bonus depreciation

For property placed in service during a tax year beginning on or after January 1, 2020:

- Affected property may, for Maine tax purposes, qualify for both regular depreciation and the Maine capital investment credit.
- The Maine capital investment credit is reduced to 1.2%.

36 M.R.S. §§ 5122(2)(RR) and 5219-NN; L.D. 1671; P.L. 2019, c. 527, Pt. A, § 2



2020 Maine Income/Estate Tax Developments

Property tax fairness credit

For tax years beginning on or after January 1, 2020:

- The PTFC is increased to 100% of the benefit base that is greater than 5% (previously 6%) of the individual's income.
- Up to \$750 (\$1,200 for individuals 65 years of age or older).

36 M.R.S. § 5219-KK; L.D. 1001; P.L. 2019, c. 343, Pt. H, §§ 5 and 6



2020 Maine Income/Estate Tax Developments

Earned income credit

For tax years beginning on or after January 1, 2020

- The Maine earned income credit is increased from 5% to 12% of the federal earned income tax credit.
 - To 25% for eligible individuals who do not have a qualifying child.
- The credit is also extended to individuals who are 18 to 24 years of age, have no qualifying children, and are otherwise qualified for the federal earned income tax credit.
 - State only filers: PTFC, STFC, EIC

36 M.R.S. §5219-S; L.D. 1671; P.L. 2019, c. 527, Pt. B, §§ 2 and 3



2020 Maine Income/Estate Tax Developments

Maine Seed Capital Tax Credit Program

The Seed Capital Tax Credit Program is changed for investments in an eligible business made on or after April 1, 2020:

- The total annual amount of credits available has been increased.
- The total amount of credits available to an individual investor or business has been decreased.
- Expands the definition of an eligible business.

10 M.R.S. § 1100-T and 36 M.R.S. § 5216-B; L.D. 2126, P.L. 2019, c. 616, Pt. LL.



2020 Maine Income/Estate Tax Developments

Credit for rehabilitation of historic properties after 2007

The credit for rehabilitation of historic properties is extended to include qualified rehabilitation expenditures for projects approved on or before December 31, 2025.

- Projects receiving the federal credit
- Projects not receiving the federal credit

Previously, the credit could not be claimed for expenditures incurred after 2023.

36 M.R.S. § 5219-BB(1)(C); L.D. 2047, P.L. 2019, c. 659, Pt. J.

Changes applicable to tax years beginning in 2021



2020 Maine Income/Estate Tax Developments

Loan Guarantee Program deferred interest income subtraction modification

- COVID-19 emergency legislation.
- Interest deferred or not charged on a loan issued under the Loan Guarantee Program established under 10 M.R.S. § 1100-CC is exempt from all state taxes.

10 M.R.S. § 1100- DD(6). L.D. 2167; P.L. 2019, c. 617, Pt. I, § 2



2020 Maine Income/Estate Tax Developments

Credit for biofuel commercial production

For tax years beginning on or after January 1, 2021, the nonrefundable tax credit for biofuel commercial production and commercial use is reinstated.

36 M.R.S. § 5219-X(5); L.D. 1698, P.L. 2019, c. 628, § 2



2020 Maine Income/Estate Tax Developments

Renewable chemicals tax credit

For tax years beginning on or after January 1, 2021:

- 8¢ per pound of renewable chemicals produced
- Can only offset related income
- Can be carried forward

Employment Security Law eligibility conditions

36 M.R.S. § 5219-XX; L.D. 1698, P.L. 2019, c. 628, § 3.





2020 Maine Income/Estate Tax Developments

Credit for affordable housing

- Maine State Housing Authority (MSHA) can issue tax credit certificates – \$10,000,000 annually.
- From 2021 through 2028.
- The credit is refundable.
- Credit is equal to either:
 1. the total federal low-income housing tax credit* claimed, or
 2. if no federal credit, then \$500,000 / 50%.

36 M.R.S. § 5219-WW; L.D. 1645, P.L. 2019, c. 555, § 6.



Questions?

Thank you.

