2026 SESSION LEGISLATION ENACTED

2nd Regular Session non-emergency effective date: July 29, 2026

1) Administrative Provisions

Notice deemed receipt date. The law increases from 3 days to 7 days the time when a notice sent by first-class mail is deemed to have been received after mailing. Effective July 29, 2026. 36 M.R.S. § 111(2); L.D. 2188; P.L. 2025, c. 662, Pt. A, § 1.

Affected program(s): All Title 36 programs.

Independent Office of Tax Appeals and changes to laws governing the tax appeals process. Maine law is amended to:

- add providing (or suggesting) recommendations to further improve the tax appeals process to the duties and responsibilities of the taxpayer advocate and experience officer in the Department of Administrative and Financial Services, Bureau of Revenue Services;
- effective January 1, 2027, create the Independent Office of Tax Appeals in the Department of Administrative and Financial Services to replace the Maine Board of Tax Appeals;
- simplify and modernize the appeals process to improve the tax dispute resolution process;
- clarify that the powers and duties of the Commissioner of the Department of Administration and Financial Services include supervising and directing the administration of the State Board of Property Tax Review and the Independent Office of Tax Appeals;
- add cross-reference citations to clarify that the powers and duties of the State Board of Property Tax Review include hearing and determining appeals filed with respect to the Deferred Homestead Property Tax Program;
- add legislative review of the Independent Office of Tax Appeals and change the year for legislative review of the State Board of Property Tax Review from 2027 to 2028.

Effective July 29, 2026. 3 M.R.S. § 959; 4 M.R.S. § 807; 5 M.R.S. §§ 282 and 12004-B; 36 M.R.S. §§ 111, 112, 151, 151-A, 151-C, 151-D, 151-E, 191, and 271; L.D. 2178; P.L. 2025, c. 734.

Affected program(s): Maine tax appeals procedures.

2) General

Loring Job Increment Financing Fund. The law extends the authority for payments to the Loring Job Increment Financing Fund from 2026 to 2031 and, for years after 2025, increases the amount of the employment tax increment the State Tax Assessor is required to deposit into a contingent account for the Loring Job Increment Financing Fund from 50% to 100%. Effective July 29, 2026. 5 M.R.S. §§ 13080-Q(2)(D) and 13080-S(3); L.D. 2212; P.L. 2025, c. 650, Pt. J.

Affected program(s): Loring Job Increment Financing Program.

Conformity. References to the United States Internal Revenue Code of 1986 (the "Code") contained in the Maine Revised Statutes, Title 36 are updated to refer to the Code as amended through December 31, 2025. Generally applies to tax years beginning on or after January 1, 2025 and to any prior tax year as specifically provided by the Code, as amended, and as provided by federal Public Law 119-21, Section 70302(f). Effective July 29, 2026. 36 M.R.S. § 111(1-A); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 1 and 27.

Affected program(s): individual, fiduciary, and corporate income taxes; income tax withholding; pass-through entity withholding; and franchise tax.

Affordability Payment Program. Beginning no later than July 31, 2026, the State Tax Assessor is required to begin issuing affordability payments of $300 to eligible recipients who file a 2025 individual income tax return as a full-year Maine resident no later than October 15, 2026. Individuals whose federal adjusted gross income is less than $100,000 if filing married joint, $75,000 if filing head of household, or $50,000 if filing single or married separate qualify for the payment. Generally, all payments must be issued by April 30, 2027.

For tax years beginning on or after January 1, 2026 but before January 1, 2028, the amount of affordability payment received is deductible in calculating Maine taxable income, to the extent the payment is included in federal adjusted gross income. The affordability payment is not subject to Maine income tax. The State Tax Assessor shall request a ruling from the Internal Revenue Service to determine whether the affordability payments are subject to federal income tax. The affordability payments are not income for purposes of determining whether an individual qualifies for the municipal general assistance program. Effective July 29, 2026. L.D. 2212; P.L. 2025, c. 650, Pt. T, §§ 1, 2, and 11.

Affected program(s): affordability payment program; municipal general assistance program; individual income tax.

3) Individual, Fiduciary, and Corporate Income Taxes
Franchise Tax
Pass-through Entities

Changes applicable to tax years beginning 2025 (retroactively)

Certain domestic research or experimental expenditures. Generally, for tax years beginning on or after January 1, 2025, for federal tax purposes, the Code, Section 174A(a) allows a taxpayer to fully deduct domestic research or experimental expenditures in the year paid or incurred. The federal deduction for foreign research or experimental expenditures must continue to be amortized over 15 years under the Code, Section 174. The Maine tax treatment differs from the federal tax treatment as follows.

<u>Income addition modification</u>
For taxable years beginning on or after January 1, 2025 and before January 1, 2030, for Maine tax purposes, an income addition modification is required in an amount equal to the federal deduction for domestic research or experimental expenditures claimed by the taxpayer under the Code, Section 174A(a), or pursuant to federal Public Law 119-21, Section 70302(f)(2), multiplied by the applicable percentage. The applicable percentage is 100% for tax years beginning in 2025; 70% for tax years beginning in 2026 (100% if the federal deduction is claimed pursuant to federal Public Law 119-21 Section 70302(f)(2)); 50% for tax years beginning in 2027; 30% for tax years beginning in 2028; and 10% for tax years beginning in 2029). The income addition modification summarized in this paragraph is eligible for the recapture (income subtraction) modification in accordance with 36 M.R.S. §§ 5122(2)(BBB) and 5200-A(2)(KK) as described below.

Except for a tax shelter prohibited from using the cash receipts and disbursements method of accounting under the Code, Section 448(a)(3), the income addition modification does not apply to small business taxpayers as described below for the taxable year.

Exception for small business taxpayers: The income addition modification does not apply to federal deductions claimed for the taxable year under Public Law 119-21, Section 70302(f)(1), which allows a small business taxpayer to elect to apply the federal change retroactively to tax years beginning after December 31, 2021. A small business taxpayer is, as described in the Code, Section 448(c), a business with average annual gross receipts of $31 million or less for a taxable year beginning in 2025 (subject to an annual inflation adjustment). The income addition modification for amounts claimed under Public Law 119-21, Section 70302(f)(2) allowing the business taxpayer to claim unused domestic research or experimental expenditures paid or incurred in a tax year beginning after December 31, 2021 and before January 1, 2025, either 100% in the 2025 tax year or ratably over the tax years beginning in 2025 and 2026 also does not apply to a small business taxpayer.

<u>Income subtraction modification (recapture)</u>
For taxable years beginning on or after January 1, 2025 and before January 1, 2031, an income subtraction modification is allowed in an amount equal to:

1) the amortization deduction allowable for domestic research or experimental expenditures under former Section 174 of the Code, prior to the enactment of federal Public Law 119-21, with respect to expenditures that are paid or incurred in taxable years beginning after December 31, 2021 and before January 1, 2026, for which an income addition modification was required under 36 M.R.S. §§ 5122(1)(QQ) or 5200-A(1)(LL); and

2) the amortization deduction for domestic research or experimental expenditures, except those described in paragraph 1 above, for which an income addition modification was required under 36 M.R.S. §§ 5122(1)(QQ) or 5200-A(1)(LL)) in a prior tax year allowed ratably over a period beginning with the taxable year immediately following the taxable year in which the income addition modification was required and ending in the taxable year beginning in 2030.

Effective July 29, 2026. 36 M.R.S. §§ 36 M.R.S. §§ 5122(1)(QQ), 5122(2)(BBB), 5200-A(1)(LL), and 5200-A(2)(KK); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 2, 7, 17, and 22.

Affected program(s): individual, fiduciary, and corporate income taxes.

Income addition modification for the net increase in the federal depreciation deduction for qualified production property. An income addition modification is required in an amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(n). Generally, the special federal depreciation deduction applies to qualifying property constructed after January 19, 2025 and before January 1, 2029, and placed in service before January 1, 2031. The income addition modification under this provision may be recaptured ratably in future tax years in accordance with 36 M.R.S. §§ 5122(2)(CCC) and 5200-A(2)(LL) as described later in this document. Effective July 29, 2026. 36 M.R.S. §§ 5122(1)(RR) and 5200-A(1)(MM); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 3 and 18.

Affected program(s): individual, fiduciary, and corporate income taxes.

Income addition modification for gain from the sale of qualified small business stock. An income addition modification is required to be made by non-corporate taxpayers in an amount equal to the gain excluded from federal gross income by the taxpayer under the Code, Section 1202(a)(1) with respect to sales of qualified small business stock first acquired after July 4, 2025, and held for at least three years. Qualified small business stock means stock held in a C corporation with assets not exceeding $75 million. Effective July 29, 2026. 36 M.R.S. §§ 5122(1)(UU); L.D. 2212; P.L. 2025, c. 650, Pt. K, § 6.

Affected program(s): individual and fiduciary income taxes.

Standard deduction for tax years beginning in 2025. For tax years beginning in 2025, the standard deduction for a resident individual is equal to the sum of the basic standard deduction and the additional standard deduction, subject to phase-out. The basic standard deduction is $15,000 for single individuals and married persons filing separate returns; $22,500 for individuals filing as heads of households; and $30,000 for individuals filing married joint returns or surviving spouses. The additional standard deduction is equal to the amount allowed under the Code, Section 63(c)(3) (i.e., for age and blindness). Effective July 29, 2026. 36 M.R.S. § 5124-C, sub-§1-B; L.D. 705, P.L. 2025, c. 752, § 1; L.D. 2212; P.L. 2025, c. 650, Pt. K, § 13.

Affected program(s): individual income tax.

Changes applicable to tax years beginning 2026

Income tax surcharge. For tax years beginning on or after January 1, 2026, an income tax surcharge of 2% applies to the portion of Maine taxable income that exceeds $1 million for single individuals; $750,000 for married individuals filing separate returns; and $1.5 million for individuals filing as heads of households, married individuals filing joint returns, or individuals filing as surviving spouses. The surcharge also applies to trusts and estates filing income tax returns at the rate for single individuals. The Maine taxable income thresholds are annually adjusted for inflation, beginning in 2026 (for tax years beginning in 2027). Effective July 29, 2026. 36 M.R.S. §§ 5111(7), 5160, and 5403(12); L.D. 2212; P.L. 2025, c. 650, Pt. DDDD.

<u>Affected program(s):</u> individual and fiduciary income taxes.

Capital investment credit. The law removes references to the expired Maine capital investment credit and makes other changes related to the removal of those references. Effective July 29, 2026. 36 M.R.S. §§ 5122(1)(KK), 5122(1)(QQ), 5122(2)(RR), 5200-A(1)(CC), 5200-A(1)(II), 5200-A(2)(FF); L.D. 2188; P.L. 2025, c. 662, Pt. A, §§ 2, 3, 8, 9, 10, and 11.

<u>Affected program(s):</u> corporate, individual, and fiduciary income taxes.

Income subtraction modification for long-term care insurance premiums. The provision clarifies that Public Law 2015, chapter 267 repealed the income subtraction modification for long-term care insurance premiums. Effective July 29, 2026. 36 M.R.S. § 5122(2)(L); L.D. 2188; P.L. 2025, c. 662, Pt. D, § 2.

<u>Affected program(s):</u> individual and fiduciary income taxes.

Pension deduction. The law aligns the pension deduction phase-out threshold for married individuals filing separate returns with that of single individuals, making the threshold $125,000 for both. Effective July 29, 2026. 36 M.R.S. § 5122(2)(M-3); L.D. 2188; P.L. 2025, c. 662, Pt. A, §§ 4 through 7.

<u>Affected program(s):</u> individual income tax.

Income subtraction modification for earnings on funds in ABLE accounts. The provision clarifies that the income subtraction modification for any earnings on funds in an account established under a qualified ABLE program applies only to the extent the amount is included in federal adjusted gross income. Effective July 29, 2026. 36 M.R.S. § 5122(2)(QQ); L.D. 2188; P.L. 2025, c. 662, Pt. D, § 3.

<u>Affected program(s):</u> individual and fiduciary income taxes.

Income subtraction modification for capital gain recognized on the sale of a majority interest in a qualified property. For tax years beginning on or after January 1, 2026, a taxpayer with a majority interest in a qualified property on which the taxpayer realizes a capital gain during the tax year on the transfer of that property to a cooperative affordable housing corporation, a municipal housing authority, or an affiliate of a municipal housing authority may qualify to reduce Maine taxable income by a portion of the gain. This modification is an expansion of the existing income subtraction modification related to the gain on the transfer of a majority interest in a qualified business to a cooperative affordable housing corporation, municipal housing authority, or an affiliate of a municipal housing authority. The total income subtraction modification for both the gain on the transfer of a qualified property and the gain on the transfer of a majority interest in a qualified business is limited to $750,000. For purposes of the modification, "qualified property" means real estate for which the primary purpose is housing consisting of one or more mobile home parks, including any mobile homes located on, and being sold with, the park or parks. Other limitations apply. Effective July 29, 2026. 36 M.R.S. §§ 5122(2)(AAA) and 5200-A(2)(JJ); L.D. 2149; P.L. 2025, c. 688, §§ 16 and 17.

Affected program(s): corporate, individual, and fiduciary income taxes.

Income subtraction modification for the recapture of the net increase in the federal depreciation deduction for qualified production property. The amount of the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(n) previously required to be added back to federal taxable income under 36 M.R.S. §§ 5122(1)(RR) or 5200-A(1)(MM) may be recaptured ratably in tax years following the year the property was placed into service. The amount of the recapture is based on the depreciation allowable for the taxable year under the Code, Sections 167 and 168 had the taxpayer not claimed the increased depreciation deduction under the Code, Section 168(n). Effective July 29, 2026. 36 M.R.S. §§ 5122(2)(CCC) and 5200-A(2)(LL); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 8 and 23.

Affected program(s): individual, fiduciary, and corporate income taxes.

Standard deduction for tax years beginning in 2026. For tax years beginning in 2026, the standard deduction for a resident individual is equal to the sum of the basic standard deduction and the additional standard deduction, subject to phase-out. The basic standard deduction is $15,700 for single individuals and married persons filing separate returns; $23,550 for individuals filing as heads of households; and $31,400 for individuals filing married joint returns or surviving spouses. The additional standard deduction is equal to the amount allowed under the Code, Section 63(c)(3) (i.e., for age and blindness). Effective July 29, 2026. 36 M.R.S. § 5124-C, sub-§1-C; L.D. 2212; P.L. 2025, c. 650, Pt. K, §14.

Affected program(s): individual income tax.

Global intangible low-taxed income (GILTI) name change. The reference to “global intangible low-taxed income” in 36 M.R.S. § 5200-A(2)(EE) relative to the Maine corporate income subtraction modification for 50% of GILTI is changed to “net CFC tested income” to mirror the name change recently enacted by federal law. Effective July 29, 2026. 36 M.R.S. § 5200-A(2)(EE); L.D. 2212; P.L. 2025, c. 650, Pt. K, § 21.

Affected program(s): corporate income tax.

Property tax fairness credit (PTFC). For tax years beginning on or after January 1, 2026, the law increases the maximum property tax fairness credit to $1,500 for individuals under 65 years of age. The maximum PTFC for individuals 65 years of age and over remains at $2,000. Effective July 29, 2026. 36 M.R.S. § 5219-KK(2-D); L.D. 2212; P.L. 2025, c. 650, Pt. CCCC.

Affected program(s): individual income tax.

Maine Dependent Exemption Tax Credit. The Maine dependent exemption tax credit is amended to reflect the permanent repeal of the federal personal exemption for tax years beginning after 2025. Previously enacted Maine law that had anticipated the federal personal exemption would be reinstated is repealed and the provisions that base the Maine dependent exemption tax credit on each qualifying child and dependent of the taxpayer for whom the taxpayer is eligible to claim the federal child tax credit are retained. The result is that the basis for the Maine credit is the same for tax years beginning prior to 2026 and for tax years beginning after 2025. Effective July 29, 2026. 36 M.R.S. § 5219-SS; L.D. 2212; P.L. 2025, c. 650, Pt. K, § 25.

Affected program(s): individual income tax.

Employer credit for family and medical leave. The law repeals the employer credit for family and medical leave for tax years beginning after 2025. Effective July 29, 2026. 36 M.R.S. § 5219-UU; L.D. 2212; P.L. 2025, c. 650, Pt. K, § 26.

Affected program(s): individual, fiduciary, and corporate income taxes; franchise tax.

Certain data centers may not claim the Dirigo business incentives tax credit. A data center that begins operations on or after August 1, 2026 may not be certified by DECD as a qualified business for purposes of the Dirigo business incentives credit. "Data center" means any facility in the State, which may be a freestanding structure or a facility within a larger structure, that primarily contains electronic equipment used for data processing, data storage, cloud computing, or similar computing infrastructure services that uses environmental control equipment to maintain the proper conditions for the operation of electronic equipment. "Data center" does not include a facility or portion of a facility containing electronic equipment that is incidental to and used in support of a business whose primary business activity is not the performance of data processing, data storage, cloud computing, or similar computing infrastructure services.

"Begins operations" means that the data center has installed operational computer and networking equipment and is performing data processing, data storage, cloud computing, or similar computing infrastructure services. "Begins operations" does not include construction, site preparation, or equipment installation.

Effective July 29, 2026. 36 M.R.S. § 5219-AAA(1)(1), ¶¶ C-1 and G; § 5219-AAA(3), ¶¶ D, E, and F; L.D. 713; P.L. 2025, c. 768, §§ 5 through 9.

Affected program(s): corporate, individual, and fiduciary income taxes; franchise tax.

Pass-Through Entity Tax Program. The Maine pass-through entity tax program is enacted for tax years beginning on or after January 1, 2026. The tax applies to each taxable year that the pass-through entity elects to be subject to the tax. The tax is equal to the distributive share of income of all qualified members multiplied by the highest marginal individual income tax rate (currently 7.15%). Qualified members may claim a refundable income tax credit equal to 90% of their distributive share of the pass-through entity tax paid. Qualified members who are residents of Maine may also claim a credit for a tax paid to another state by the pass-through entity that is substantially similar to the Maine pass-through entity tax if the other state imposes a tax that is substantially similar to the Maine income tax. Effective July 29, 2026. 36 M.R.S. Chapter 815, Subchapter 3; 36 M.R.S. §§ 5122(1)(QQ), 5190, 5217-A, 5219-CCC, 5228(1)(B), 5231(1-A); L.D. 2212; P.L. 2025, c. 650, Pt. N; L.D. 705; P.L. 2025, c. 752, § 2.

Affected program(s): pass-through entity tax; individual and fiduciary income taxes.

Changes applicable to tax years beginning 2027

Income addition modification for certain gains derived from opportunity zone investments. An income addition modification is required for the amount of gain excluded from federal gross income under the Code, Section 1400Z-2(a) with respect to amounts invested in a qualified opportunity zone after December 31, 2026. Generally, under federal Public Law 119-21, any gain from the sale or exchange of property may, after 2026 and at the election of the taxpayer, be invested in a qualified opportunity fund and the recognition of the gain for tax purposes may be deferred until as the earliest of 1) the date the investment is sold or exchanged, or 2) five years after the date the investment in the fund was made. See below for a corresponding income subtraction modification and the taxpayer may claim to the extent, the gain is recognized for federal income tax purposes. Effective July 29, 2026. 36 M.R.S. §§ 5122(1)(SS) and 5200-A(1)(NN); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 4 and 19.

Affected program(s): individual, fiduciary, and corporate income taxes.

Income addition modification for basis increase associated with opportunity zone investments. Upon the sale of property acquired after December 31, 2026, an income addition modification is required equal to the amount of the increase in basis made by the taxpayer pursuant to the Code, Section 1400Z-2(b)(2)(B)(iii) or Section 1400Z-2(c). Generally, under federal Public Law 119-21, for opportunity zone investments held for at least five years, the taxpayer may increase the investment basis by 10% of the gain deferred (30% if the investment is in a qualified rural opportunity fund). For investments held for at least 10 years, the basis may be increased up to an amount equal to the fair market value of the investment on the date sold or exchanged (or, if the date sold or exchanged is 30 or more years after the date of investment, up to the fair market value of the investment on the date that is 30 years after the date the investment was made). See below for a corresponding income subtraction modification the taxpayer may claim to the extent the gain is recognized for federal income tax purposes. Effective July 29, 2026. 36 M.R.S. §§ 5122(1)(TT) and 5200-A(1)(OO); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 5 and 20.

Affected program(s): individual, fiduciary, and corporate income taxes.

Income subtraction modification for certain tribal member compensation. For tax years beginning on or after January 1, 2027, a tribal member (i.e., an enrolled member of the Houlton Band of Maliseet Indians, the Mi'kmaq Nation, the Passamaquoddy Tribe, or the Penobscot Nation) may, to the extent included in federal adjusted gross income and otherwise subject to Maine income tax, claim an income subtraction modification on their individual income tax return equal to the amount of tribal compensation, even if the tribal member does not reside on tribal land. For purposes of this modification, "tribal member compensation" means compensation received by a tribal member, or by an estate of a decedent who at the time of death was a tribal member, for personal services performed as an employee of the Passamaquoddy Tribe, the Penobscot Nation, the Houlton Band of Maliseet Indians, or the Mi'kmaq Nation. "Compensation" means, for purposes of the modification, all taxable remuneration and benefits for services performed by the individual as an employee of the Passamaquoddy Tribe, the Penobscot Nation, the Houlton Band of Maliseet Indians, or the Mi'kmaq Nation, including the cash value of any taxable remuneration and benefits paid in any medium other than cash. Effective July 29, 2026. 36 M.R.S. §§ 5102(5-B) and 5122(2)(BBB); L.D. 785; P.L. 2025, c. 705, Pt. B.

<u>Affected program(s):</u> individual and fiduciary income taxes.

Income subtraction modification for certain gains derived from opportunity zone investments. As described above, an income addition modification is required for the amount of gain excluded from federal gross income by the taxpayer under the Code, Section 1400Z-2(a) with respect to amounts invested in a qualified opportunity zone after December 31, 2026. For federal income tax purposes, such gains may be deferred. See 36 M.R.S. §§ 5122(1)(SS) and 5200-A(1)(NN). When, and to the extent, the gain is subsequently recognized on a federal income tax return, the taxpayer may claim a Maine income subtraction modification on the Maine return for that tax year. Effective July 29, 2026. 36 M.R.S. §§ 5122(2)(DDD) and 5200-A(2)(MM); L.D. 2212; P.L. 2025, c. 650, Pt. K, §§ 9 and 24.

<u>Affected program(s):</u> individual, fiduciary, and corporate income taxes.

Standard deduction for tax years beginning on or after January 1, 2027. For tax years beginning on or after January 1, 2027, the standard deduction of a resident individual is equal to the federal standard deduction, subject to the phase-out. Effective July 29, 2026. 36 M.R.S. § 5124-C(1-D); L.D. 2212; P.L. 2025, c. 650, Pt. K, § 15.

<u>Affected program(s):</u> individual income tax.

Dental care access credit. Eligible dentists licensed after 2026 may qualify for a non-refundable credit for up to 5 years. The credit allowed is a maximum of $6,000 in the first year of eligibility, $9,000 in the second year, $12,000 in the third year, $15,000 in the fourth year, and $18,000 in the fifth year of eligibility. The credit may be claimed in the first year that the dentist meets the conditions of eligibility for at least 6 months. An eligible dentist is an individual who is certified by the Maine oral health program and who first begins practicing dentistry in Maine by joining an existing dental practice in an underserved area or who establishes a new dental practice or purchases an existing dental practice in an underserved area. The dentist must be enrolled as a MaineCare provider and serve a patient panel consisting of at least 15% MaineCare members. The dentist must also agree to practice in an underserved area full-time for at least 5 years. "Underserved area" means an area in Maine that is a dental health professional shortage area as defined by the federal Department of Health and Human Services, Health Resources and Services Administration. The credit is repealed December 31, 2037. Effective July 29, 2026. 36 M.R.S. § 5219-CCC; L.D. 1652; P.L. 2025, c. 713.

Affected program(s): individual income tax.

Changes applicable to tax years beginning after 2027

Extension of the sunset date of the affordable housing credit. The law extends the Maine State Housing Authority's authorization to make initial allocations of the affordable housing credit from December 31, 2028 to December 31, 2036 and to reallocate unused allocations after December 31, 2036. Effective July 29, 2026. 36 M.R.S. § 5219-WW; L.D. 2116; P.L. 2025, c. 699.

Affected program(s): corporate, individual, and fiduciary income taxes; franchise tax.

4) Sales, Use, and Special Taxes

Sales, Use, and Service Provider Tax

Definition of commercial wood harvesting expanded to include hauling. Beginning January 1, 2027, for purposes of the refund and exemption for depreciable machinery and equipment used directly and primarily in qualifying commercial activities, the definition of "commercial wood harvesting" is expanded to include the "hauling of trees for sale or for processing into logs, pulpwood, bolt wood, wood chips, stud wood, poles, pilings, biomass or fuel wood or other products commonly known as forest products." For purposes of commercial wood harvesting, "depreciable machinery and equipment" may include semitrailers, trailers, trucks, truck tractors, pickup trucks, and commercial motor vehicles, all as defined in 29-A M.R.S. § 101, if used directly and primarily to transport "forest products from the land where the forest products were harvested to their initial destination involving production or use." Effective January 1, 2027. 36 M.R.S. § 2013; L.D. 2212; P.L. 2025, c. 650, Pt. XXX, §§ 1 through 5.

Exemption for sales to tribal members expanded to certain sales of new manufactured housing. Beginning January 1, 2027, the sales tax exemption for sales to tribal members is expanded to exempt the sale of new manufactured housing to: (1) a tribal member if the new manufactured housing is intended to be installed on tribal land immediately upon receipt or delivery; or (2) a construction contractor or subcontractor if the new manufactured housing is intended to be physically incorporated in, and become a permanent part of real property located on, tribal land for sale to a tribal member or a tribe. Effective January 1, 2027. 36 M.R.S. § 1760(113); L.D. 785; P.L. 2025, c. 705, Pt. C, §§ 1 and 2.

Scope of "tribal land" provisions expanded for purposes of exemption for sales to tribal entities and transfer of sales tax revenue to tribes. Beginning July 29, 2026, for purposes of the sales tax exemption for sales to tribal entities that are sourced to tribal land, the meaning of "sales sourced to tribal land" is expanded to include no more than one parcel, or two abutting parcels, of fee land owned by each tribe or a qualifying tribal entity owned by the tribe or tribal member to operate a business in Aroostook, Hancock, Franklin, Penobscot, Piscataquis, Somerset, Oxford, or Washington County, as long as the specifically identified parcel or abutting parcels of land remain owned by the tribe or its tribal entity.

Further, under current law, the State Controller makes a monthly transfer of funds to each tribe equal to the amount of sales tax collected in the previous month for sales occurring on its tribal land. Beginning July 29, 2026, sales tax collected on sales occurring at a location on the fee land described above is included in the monthly transfer to each tribe. Effective July 29, 2026. 36 M.R.S. §§ 1760(114) and 1815(2); L.D. 785; P.L. 2025, c. 705, Pt. D, §§ 1 and 2.

Mobility-enhancing equipment includes crutches and wheelchairs. Beginning July 29, 2026, crutches and wheelchairs are removed from the exemption for prosthetic or orthotic devices under 36 M.R.S. § 1760(5-A) because crutches and wheelchairs are now included in the exemption for "mobility-enhancing equipment." Effective July 29, 2026. 36 M.R.S. §§ 1752(6-K), 1760(5-A); L.D. 2188; P.L. 2025, c. 662, Pt. B, §§ 1–2. The exemptions for durable medical equipment for home use, and mobility-enhancing equipment for home use or use in a motor vehicle, were enacted in the previous session. Effective January 1, 2026. 36 M.R.S. §§ 1752(2-G), 1752(6-K), 1760(116), and1760(117); L.D. 210; P.L. 2025, c. 388, Pt. G, §§ 13, 22, 40, 41, and 48.

Technical changes. Beginning July 29, 2026, technical clarifications consistent with current tax administration include: (1) updating the exemption for property used in production to reflect the recent inclusion of leases in the definition of "sale"; and (2) repealing the exemption for sales of tangible personal property to be physically incorporated in and become a part of a portable classroom for lease to a school, because such property is now exempt property used in production. Effective July 29, 2026. 36 M.R.S. §§ 1760(58) and (74); L.D. 2188; P.L. 2025, c. 662, Pt. B, §§ 3 through 5.

Law enacted in prior session, but effective beginning in 2026:

Service Provider Tax ("SPT") repealed; former SPT services and related provisions relocated to sales tax. Beginning January 1, 2026, the SPT was repealed. Services formerly subject to SPT are subject to the Sales and Use Tax at the rate of 5.5%, and include: (1) cable and satellite television or radio services; (2) fabrication services; (3) telecommunications services; (4) the installation, maintenance or repair of telecommunications equipment; (5) ancillary services; (6) the rental of video media and video equipment; and (7) the rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement. The two rental services listed are subject to sales tax as leases or rentals of tangible personal property. The law moved the definitions, exemptions, and sourcing provisions for these services from the SPT to the Sales and Use Tax. Effective January 1, 2026. 36 M.R.S. §§ 182, 191, 1752, 1760, 1819, and 2551 through 2560; L.D. 210; P.L. 2025, c. 388, Pt. G, §§ 1 through 4, 6 through 8, 12, 14 through 21, 23, 26 through 29, 31 through 38, and 42 through 48.

Hospital Tax

Hospital tax rebased; return and payment due August 28, 2026. The hospital tax, which is due in two installments on November 15 and May 15 each year, was rebased for the second installment for state fiscal year 2025-2026 and for all payments in subsequent state fiscal years. Prior to this law change, both payments for state fiscal year 2025-2026 were computed based on a hospital's net operating revenue as identified in its audited financial statement for its fiscal year ending in calendar year 2022. The second installment, due on May 15, 2026, is retroactively rebased to be computed on a hospital's net operating revenue as identified in its audited financial statement for its fiscal year ending in calendar year 2024.

However, because this rebasing law takes effect after May 15, 2026, taxpayers are required, by August 28, 2026, to submit a separate return provided by MRS and pay the rebased amount, deducting the amount paid for the original amount due on May 15, 2026. The amount required to be paid on May 15th will reduce the amount due on August 28th. Effective July 29, 2026. 36 M.R.S. §§ 2892 and 2893; L.D. 2212; P.L. 2025, c. 650, Pt. L, §§ 1 through 5.

Cigarette Tax

Exception to prohibition of tobacco sales in retail establishments containing pharmacies for certain small grocery stores. Beginning April 1, 2026, certain small grocery stores are excluded from the law generally prohibiting any retail establishment containing a pharmacy from obtaining a retail tobacco license. A grocery store containing a pharmacy is eligible for a retail tobacco license if the store: (1) has no more than 26,000 square feet of customer-accessible sales area; (2) the pharmacy was established in the grocery store prior to July 7, 2025, and is independently licensed and operates in a separately leased space; (3) all tobacco sales are made from the grocery store's independent inventory and point-of-sale system; and (4) the grocery store complies with all other requirements under the provisions governing retail tobacco licenses. Effective April 1, 2026. 22 M.R.S. § 1551-A; L.D. 2134; P.L. 2025, c. 580.

Tobacco Products Tax

Technical changes. Beginning July 29, 2026, the law is amended to clarify that the tobacco products tax on smokeless tobacco applies to smokeless tobacco products, consistent with current tax administration and prior legislative changes. Effective July 29, 2026. 36 M.R.S. § 4403; L.D. 2188; P.L. 2025, c. 662, Pt. B, §§ 6 and 7.

Cannabis Excise Tax

Transfer to or from products manufacturing facility. Beginning July 29, 2026, cannabis excise tax is not imposed on the transfer of adult use cannabis to a products manufacturing facility when the adult use cannabis is returned to the original cultivation facility in the same form and weight within 30 days. Effective July 29, 2026. 36 M.R.S. §§ 4921 and 4923; L.D. 1654; P.L. 2025, c. 504, §§ 1 and 4.

5) Property Tax

Current Use Programs

Survey on Maine Tree Growth Tax Law. The law requires Maine Revenue Services ("MRS"), in coordination with identified stakeholders, to survey assessors about their experience administering the Tree Growth Tax Law program. MRS will report its findings and recommendations to the Legislature on or before January 15, 2027. Effective July 29, 2026. L.D. 2244; P.L. 2025, c. 739.

Open Space eligibility. The law amends one of the factors that assessors may consider in determining whether land is eligible for the Open Space Tax Law by replacing a reference to the register of critical areas maintained by the Division of Geology, Natural Areas, and Costal Resources with a reference to data collected by the Bureau of Resource Management. Effective July 29, 2026. L.D. 2118; P.L. 2025, c. 706, § 33.

Vehicle Excise Tax

Camper trailers excise tax. The law changes the basis of motor vehicle excise tax on camper trailers from the current schedule based on MSRP to a new schedule based on the length of the camper trailer. The schedule will be multiplied by a cost-of-living adjustment annually based on the Chained Consumer Price Index. Effective July 29, 2026. L.D. 15; P.L. 2025, c. 523.

Automobiles leased by veterans. The law creates an exemption from vehicle excise tax for automobiles leased by veterans who are disabled and are receiving any form of pension or compensation from the United States Government for total, service-connected disability. This exemption is limited to three leased automobiles per qualifying veteran. The qualifying veteran must be named on the lease agreement of the automobile to qualify. Effective July 1, 2026 (emergency). L.D. 305; P.L. 2025, c. 578.

Property Tax Assistance Programs

Homestead, veteran's and blind person's exemptions. The law sunsets the existing homestead, veteran's, and blind person's exemptions and consolidates the exemptions into one statutory provision for property tax years beginning on or after April 1, 2027. The law removes the requirement for veterans to have served in a federally recognized war period, creates a tiered exemption based on disability rating, and expands the exemption to veterans under 62. Homeowners who received one of the affected exemptions in the tax year beginning April 1, 2026, will generally not need to reapply to receive an equivalent exemption under the new law. MRS must provide guidance as to what constitutes an equivalent exemption under the new law. The new exemption is effective for property tax years beginning on or after April 1, 2027. L.D. 2212; P.L. 2025, c. 650, Pt. M.

BETR retail property. The law makes changes to the Business Equipment Tax Reimbursement ("BETR") program by sunsetting reimbursement of retail property. Beginning with the BETR application period starting August 1, 2028, the reimbursement for eligible property located in a retail sales facility and used primarily in a retail sales activity will be reimbursed at 50% of the rate that the property would otherwise be eligible to receive. For the application periods starting on or after August 1, 2029, property located at a retail sales facility and used primarily in a retail sales activity will no longer be eligible for reimbursement under BETR, even if the property was previously grandfathered into the program. Effective July 29, 2026. L.D. 2212; P.L. 2025, c. 650, Pt. O.

Exemption for federally recognized Indian tribes. The law establishes a new property tax exemption for property owned by federally recognized Indian tribes when: (1) the property is used for governmental or public purposes; (2) the property is located within 50 miles of the federally recognized Indian tribe's tribal land and; (3) there is a pending application to have the United States Secretary of the Interior acquire the property in trust for the benefit of that Tribe. The new exemption is effective for property tax years beginning on or after April 1, 2027. L.D. 785; P.L. 2025, c. 705, Pt. E.

Data Centers. The law defines data centers and excludes property located in data centers that begin operations on or after August 1, 2026, from eligibility for the Business Equipment Tax Exemption ("BETE") program. Effective July 29, 2026. L.D. 713; P.L. 2025, c. 768.

Real Estate Transfer Tax

Funding for emergency homeless shelters. The law makes a one-time allocation during fiscal year 2026-27 of a portion of Real Estate Transfer Tax revenue to the Maine State Housing Authority to be used for the shelter operating subsidy program. Effective July 29, 2026. L.D. 2124; P.L. 2025, c. 729.

Unorganized Territory

Conveyance of State interest in real estate in the unorganized territory. The resolve authorizes the State Tax Assessor to sell certain tax-acquired parcels located in the unorganized territory in accordance with state law. Effective July 29, 2026. L.D. 2075; Resolves 2025, c. 145.

Municipal cost component for 2026-27 fiscal year. The law is part of the routine annual process for establishing the costs of administering the unorganized territory. The costs approved by the Maine Legislature must be incorporated into the 2026 property tax levy in the unorganized territory. The unorganized territory property tax, called the Unorganized Territory Educational and Services Tax, is collected as dedicated revenue to the Unorganized Territory Education and Services Fund. The law includes costs for services provided by State agencies and counties, costs for tax increment financing payments, and a one-time transfer to Washington County for repayment of a tax anticipation note that must be recovered by the State on or before June 30, 2027. Effective April 13, 2026 (emergency). L.D. 2222; P.L. 2025, c. 656.

<u>Administrative/Miscellaneous</u>

Independent Office of Tax Appeals. The law establishes the Independent Office of Tax Appeals effective January 1, 2027, repealing the laws regarding the Board of Tax Appeals, and transferring the Board's duties to the new Independent Office. Appeals pursuant to 36 M.R.S. § 151 previously filed with the Board will instead be appealable to the Independent Office. Along with hearing appeals, staff of the Independent Office may provide administrative and legal assistance to the State Board of Property Tax Review. This change affects the appeal process for the Business Equipment Tax Reimbursement program, Commercial Forestry Excise Tax, Telecommunications Excise Tax, and claw-backs of municipal reimbursements. L.D. 2178; P.L. 2025, c. 734.

Real Estate Property Tax Relief Task Force. The law authorizes the Real Estate Property Tax Relief Task Force to meet up to eight times in 2026. Effective July 29, 2026. L.D. 2244; P.L. 2025, c. 739.