



MAINE TAX ALERT

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Maine Now Conforms To Most Federal Tax Law Changes Enacted on or before December 31, 2020

As previously announced in the March 2021 - #3 Maine Tax Alert, Public Law 2021, chapter 1 (“P.L. 2021, c. 1”) was enacted to generally conform Maine’s income and estate tax laws to the federal Internal Revenue Code (“IRC”) as amended through December 31, 2020. This includes conformity to the federal treatment of the Paycheck Protection Program (“PPP”) loan forgiveness (exclusion from income and the allowance of the deduction for related expenses).

The Maine Legislature has not yet considered conformity with federal tax laws enacted after December 31, 2020, including the *American Rescue Plan Act of 2021* (“ARPA”), **except** for the federal exclusion of up to \$10,200 of **unemployment compensation** reportable for tax years beginning in 2020. Up to \$10,200 of unemployment benefits, to the extent excluded from federal adjusted gross income are also excludable for Maine income tax purposes. To claim the exclusion, follow the updated instructions for filing your 2020 Maine income tax return at: www.maine.gov/revenue/tax.

The following are federal tax law changes enacted during 2020 to which Maine does **not** conform:

- The deferred effective date for the limitation on noncorporate **excess business losses** allowed to reduce federal adjusted gross income;
- The increase in the allowable **business interest deduction** from 30% to 50% of federal adjusted taxable income; and
- For tax year 2019 fiscal year filers, the additional **corporate charitable contribution deduction** allowed to reduce federal taxable income.

Additionally, for tax years beginning on or after January 1, 2020, Maine tax law does **not** conform to the federal deduction for **foreign-derived intangible income (“FDII”)**, which was enacted in 2017 by the federal *Tax Cuts and Jobs Act (“TCJA”)*.

Tax years beginning in 2020

Maine tax forms and instructions for 2020 and Maine estimated tax and withholding tables for 2021 that have been issued to-date are consistent with conformity to federal tax law as of December 31, 2020, **except** where otherwise specified in the forms and instructions and with respect to the exclusion of unemployment compensation income and the above-the-line \$300 deduction for charitable contributions.

The following Maine tax forms for tax year 2020 have been revised due to the exclusion of unemployment compensation and the above-the-line charitable contribution deduction:

- Form 1040ME, Schedule PTFC/STFC (unemployment compensation must be included in the income base used to calculate the Maine Property Tax Fairness and Maine Sales Tax Fairness credits).
- Form 1040ME, Schedule NR
- Form 1040ME, Schedule NRH
- Form 1040ME, Worksheet B

Other Maine tax changes for tax year 2020:

- **Educational Opportunity Tax Credit** – Maine residents who were employed in Maine prior to, or during, the COVID-19 pandemic and who became unemployed as a result of COVID-19 but who are still making student loan payments may claim the EOTC, to the extent otherwise qualified.

Additionally, student loan payments made by individuals in deferment or forbearance, including those subject to a federal student loan administrative forbearance pursuant to the federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act or federal Executive Order, will qualify for the EOTC as long as all other eligibility criteria are met.

See the instructions for the Maine 2020 Educational Opportunity Tax Credit Worksheet and the Loan Payment Schedule.

- **Credit for Taxes Paid Other Jurisdiction** – For tax years beginning in 2020, a Maine resident who began teleworking in Maine due to the COVID-19 pandemic and who was performing the same services from a location outside of Maine immediately prior to the COVID-19 state of emergency declared by the Governor, or declared by the jurisdiction where the employee was performing the services, is allowed to claim the tax credit for income tax paid to other jurisdictions to the extent that:
 - the services were performed during 2020 during the state of emergency period;
 - the other jurisdiction is asserting the income is sourced to that jurisdiction; and
 - the employee does not qualify for an income tax credit in that jurisdiction for income taxes paid as a result of the compensation.

See instructions for the Maine Credit for Income Tax Paid to Other Jurisdiction Worksheet for Tax Year 2020.

Maine tax forms, instructions, and worksheets are available at: www.maine.gov/revenue/tax-return-forms.

Tax years beginning in 2018 and 2019

As a result of the conformity described above, **certain individual, fiduciary, and corporate taxpayers may be required to file amended income tax return(s) for 2018 and 2019.**

Affected taxpayers include those who previously filed the *Maine Additional Worksheet to Report Certain "Other" Modifications to Maine Income Related to Federal Tax Law Changes Enacted After December 31, 2019* for either tax year 2018 or 2019 to report an amount for the following:

Addition modifications:

- depreciation on qualified improvement property (“QIP”) for 2018 or 2019;
- discharge of indebtedness on PPP loans for 2019; or
- employer student loan payment for 2019.

Subtraction modifications:

- recapture of depreciation on QIP for 2019;
- Paid Sick Leave Credit and Paid Family Leave Credit deduction for 2019; or
- reduction in federal salaries and wages deduction due to claiming the Employee Retention Credit for 2019.

See the applicable REVISED *Maine Additional Worksheet to Report Certain “Other” Modifications to Maine Income Related to Federal Tax Law Changes Enacted After December 31, 2019* for more information. The revised 2018 and 2019 worksheets are available at www.maine.gov/revenue/tax-return-forms.

This information also applies to the filing of original income tax returns for those who have not already filed a return for 2018 and/or 2019.

For questions about Maine income tax, contact Maine Revenue Services (“MRS”) weekdays 9:00 a.m. to 12:00 noon (holidays excepted) at (207) 626-8475 or visit the MRS website at www.maine.gov/revenue.

Careers at MRS

The mission of MRS is to fairly and efficiently administer the tax laws of the State of Maine, while maintaining the highest degree of integrity and professionalism.

MRS is always looking for smart, motivated, and team-oriented people to join our team. Some of the benefits include:

- Competitive salary
- MainePERS retirement plan and deferred compensation
- Qualifying employer for federal student-loan forgiveness
- Generous insurance and paid leave (including all state holidays)
- Flexible spending accounts and longevity pay
- Gym membership reimbursement
- Tuition reimbursement for continuing education

Regularly posted, full-time positions at MRS include the Tax Examiner and Revenue Agent positions. Click the following link for more information about these positions: <https://apps.web.maine.gov/cgi-bin/bhrssalary/jobs.pl>.

If you are interested in building your career with MRS, please sign up to receive notifications of new MRS job openings here: <https://portal.maine.gov/taxalert/requestForm>.

Current job openings at MRS are listed here: www.maine.gov/revenue/about/career-opportunities.

Fraud Alert

If you believe you are a victim of identity theft or that a breach of personally identifiable information has occurred, contact MRS at (207) 624-7658 or email fraudalert.mrs@maine.gov as soon as possible. Timely notification assists MRS in preventing fraudulent tax refunds.

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Contact Center	(207) 624-9784	(207) 287-6975	taxpayerassist@maine.gov
Central Registration	(207) 624-5644	(207) 287-6975	taxregistration@maine.gov
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Corporate Tax	(207) 624-9670	(207) 624-9694	corporate.tax@maine.gov
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 287-6628	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 624-5625	(207) 287-3618	efunds.transfer@maine.gov
Estate & Fiduciary Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel & Special Taxes	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894		
Individual Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-9694	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	compliance.tax@maine.gov
Payment Plan/Other	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 624-5600	(207) 287-6396	prop.tax@maine.gov
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@maine.gov
Tax Clearance Letters	(207) 624-9595	(207) 287-6627	
Office of Tax Policy	(207) 624-9677	(207) 287-3618	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	taxpayer.advocate@maine.gov
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@maine.gov
Tax Violations Hot Line	(207) 624-9600		

This publication is designed to keep taxpayers, tax practitioners and the general public informed of developments, problems, questions and matters of general interest concerning Maine tax law, policy and procedure. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for Maine tax laws and/or regulations.

Suggestions for the Tax Alert?

Please contact:
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