



MAINE TAX ALERT

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MAINE CONFORMITY with THE TAX INCREASE PREVENTION ACT of 2014 for TAX YEAR 2014

The recent enactment of the Tax Increase Prevention Act of 2014 (PL 113-295) has generated questions about whether Maine will conform to certain federal tax provisions contained in the Act. Of particular concern is that the provisions apply retroactively to tax years beginning in 2014 and, thus, will have an impact on the current tax filing season.

Except for the federal extension of bonus depreciation (additional first-year 50% depreciation for qualified property), Governor Paul R. LePage has decided to propose legislation which would conform Maine's income tax law to the federal act. Similar to 2013 treatment, the proposal will contain provisions to reverse the effect of federal bonus depreciation for qualified property placed in service in 2014 and, for property placed in service in Maine, provide for a Maine capital investment tax credit equal to 9% of the related bonus depreciation add-back.

Conformity to the federal tax law changes and non-conformity to the federal bonus depreciation will require legislative action. Under current law, Maine conforms to the Internal Revenue Code (the "Code") through December 31, 2013, with some exceptions specifically contained in Maine income tax law. The Maine Legislature must review the changes made to the Code since December 31, 2013, including the changes made in the Tax Increase Prevention Act, to determine to what extent Maine will conform to the changes.

Maine tax forms and instructions for 2014 (except the printed forms and instructions) which have already been issued are consistent with the Governor's decision on 2014 tax conformity issues and non-conformity with federal bonus depreciation. MRS, therefore, advises taxpayers to file their 2014 tax returns as currently instructed, except that taxpayers claiming federal bonus depreciation should utilize the 2014 forms and instructions available on the Maine Revenue Services website at www.maine.gov/revenue/forms/homepage.html or file using updated tax preparation software.

The most notable provisions that impact Maine taxation beginning in 2014 are the above-the-line deduction of up to \$250 for teacher classroom expenses, the expanded § 179 business expense deduction, the extension of bonus depreciation and the extension of the federal research credit impacting the corresponding Maine research credit. Other extended federal tax items that impact Maine taxation for the 2014 tax year include itemized deductions for mortgage insurance and related expenses, accelerated depreciation deductions for leasehold/restaurant/retail improvement property, special expensing rules for film and television productions, a deduction for contribution of food inventories and a number of other miscellaneous items with less significant impact on Maine taxes.

In the event that final legislation is enacted that is not consistent with the advice contained in this article, MRS will inform taxpayers of those tax items and describe what taxpayers will need to do in order to correctly file their 2014 tax returns or to correct returns already filed. Taxpayers who file on the basis of this advice will not be subject to penalties or interest associated with these tax items in the event that legislation is passed that does not conform to the federal 2014 tax law changes.

If you have any questions regarding Maine conformity with the Tax Increase Prevention Act of 2014, call (207) 626-8475 or email income.tax@maine.gov.

| <u>Department</u> | <u>Telephone Numbers</u> | <u>FAX Numbers</u> | <u>E-mail Addresses</u> |
|----------------------------------|--------------------------|--------------------|--|
| Taxpayer Service Center | (207) 626-8475 | (207) 287-5855 | |
| 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 Tax | (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) 624-9628 | (207) 287-6627 | |
| Office of Tax Policy | (207) 624-9789 | (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?

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