



MAINE TAX ALERT

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Maine Conformity with Federal Tax Law Changes for Tax Year 2025

Background

Under current law, Maine conforms to the Internal Revenue Code (the “Code”) as of December 31, 2024, with some exceptions specifically contained in Maine income tax law. This means that many important provisions of Maine tax law are tied directly to federal tax law. When federal tax law is amended mid-year, Maine tax law does not automatically adjust to the changed definitions.

On July 4, 2025, Congress enacted Public Law 119-21, the federal One Big Beautiful Bill Act (“OBBBA”). The First Special Session of the 132nd Maine Legislature adjourned on June 25, 2025, prior to the enactment of the federal OBBBA. Therefore, the Maine Legislature has not yet had the opportunity to consider conformity with these federal tax changes, and, absent any action by the Maine Legislature, some of the same terms would have different meaning under Maine and federal law.

Federal One Big Beautiful Bill Act - Retroactivity

Generally, amended federal tax items in the OBBBA first apply to tax years beginning on or after January 1, 2026. However, several retroactive changes were made affecting tax years beginning in 2025. Changes affecting tax year 2025 include the extension of certain qualified disaster-related casualty losses, the election to defer taxes on the gain from the sale or exchange of certain qualified farmland property, immediate expensing of certain business property under the Code Section 179 and certain research and experimental expenditures, the federal business interest deduction, accelerated depreciation for qualified production property, and other miscellaneous changes. The OBBBA also allows taxpayers to file amended returns for tax years beginning after 2021 and before 2025 to deduct the amount of unamortized research and experimental expenditures occurring during those years. For federal tax purposes, taxpayers may also elect to deduct these unamortized research and experimental expenditures incurred during 2022 through 2024 prospectively over one year (2025), or over two years (2025 and 2026).

Other federal law changes affecting tax years beginning after 2024 include the new senior tax exemption, the car loan interest deduction, the deduction for certain tip income, and the deduction for certain overtime pay. These provisions are “below-the-line” changes and do not affect federal adjusted gross income. Therefore, these changes, absent conforming legislation, have no effect on Maine tax law.

Maine Public Law 2025, c. 336 – Tax Administration Pending Conformity

To timely address the effect of federal tax changes on the administration of the 2025 Maine tax filing season before Maine conformity can be considered, the Maine Legislature enacted Public Law 2025, chapter 336 (P.L. 2025, c. 336), which provides the statutory framework for the State Tax Assessor, at the direction of the Governor, to adjust the administration of the tax filing season when the Maine

Legislature has not yet acted on federal tax law changes that impact State tax filing requirements.

P.L. 2025, c. 336 requires the Commissioner of the Department of Administrative and Financial Services (“DAFS”) to provide the Governor and a bipartisan group of legislative leaders a description of the federal changes and their potential effect on Maine income tax laws and the State budget to the Governor. After receiving the report, the Governor is authorized to direct the State Tax Assessor to temporarily adjust administration of the tax filing season based on some or all federal income tax law changes, pending potential enactment of conformity legislation by the Maine Legislature. The Commissioner’s report and the Governor’s direction are also reported to certain legislative leaders. To view the Commissioner’s letter to Governor Mills, [click here](#). To view the Governor’s directive to the State Tax Assessor, [click here](#).

Maine income tax returns for tax year 2025 are being developed following the Governor’s direction, summarized in the chart below. The return instructions and processing of those returns are contingent on any future state legislative enactment(s) that address the federal tax law changes.

Taxpayers may choose to wait for future state legislative enactment(s) that address the federal tax law changes by filing under extension pursuant to [36 M.R.S. Section 5231\(4\)](#). Tax returns filed prior to enactment of any legislation by the Maine Legislature that address the federal tax law changes must be consistent with the issued Maine tax returns, forms, instructions, and other guidance in effect at the time.

Any future Maine legislative enactments that differ from the filing instructions in effect at that time may require taxpayers to then file an amended return to address such changes.

Administration of the 2025 Maine Income Tax

Major items that the 2025 Maine tax forms and instructions will reflect conformity with are qualified disaster losses, qualified farm property, Code Section 179 expensing, the business interest deduction, and certain research and experimental expenses noted below.*

Major items that the 2025 Maine tax forms and instructions will reflect nonconformity with are the increased federal standard deduction, accelerated depreciation for qualified production property, and the accelerated expensing of research and experimental expenditures incurred after 2021.*

Maine continues to decouple from federal accelerated or “bonus” depreciation and instead requires depreciation to be claimed over the normal life of the asset.

*Although the Governor’s directive reflects nonconformity with accelerated expensing for tax years beginning after 2024 (referenced as “R&D Expenses” in the chart below), it does allow certain small businesses that file amended federal returns for tax years beginning in 2022, 2023, or 2024 to claim a deduction for unamortized research and experimental expenditures incurred after 2021 and before 2025 to file amended Maine returns claiming the deduction for the same tax year(s).

Administration of Tax Years Beginning after 2025

Additional guidance will be provided once the Maine Legislature has had the opportunity to determine the extent of conformity to federal law changes affecting tax years beginning after 2025.

Tax Year 2025 Conformity Items: Estimated Revenue Impact (Millions) and Recommendation for 2025 Tax Forms

Provision	2025 Direction Recommendation	Tax Year 2025 Revenue Change**	Fiscal Year *			
			2026	2027	2028	2029
Qualified Disaster Loss	Conform	Negligible Loss				
Qualified Farm Property	Conform	Negligible Loss	-\$0.27	-\$0.94	-\$0.84	-\$0.46
Sec. 179 Expensing	Conform	-\$2.0	-\$2.0	-\$1.8	-\$1.5	-\$1.3
Business Interest Deduction	Conform	-\$6.8	-\$5.9	-\$4.9	-\$4.2	-\$3.9
R&D Expenses						
Allow small business amended returns only	Conform	-\$4.7	-\$3.6	-\$1.1	-\$0.0	-\$0.0
Miscellaneous***	Conform	Negligible				
Total Cost		-\$13.5	-\$11.77	-\$8.74	-\$6.54	-\$5.66
R&D Expenses	Do not adopt					
TY 2025+ expenses only		-\$58.5	-\$52.1	-\$49.7	-\$38.7	-\$27.6
Full conformity		-\$136.0	-\$111.1	-\$30.9	-\$20.5	-\$11.9
Accelerated depreciation for qualified production property	Do not adopt	-\$6.2	-\$7.7	-\$22.9	-\$25.8	-\$24.2
Increase in standard deduction****	Do not adopt	-\$30.8	-\$42.2	-\$33.8	-\$32.1	-\$31.8
Bonus Depreciation	Do not adopt	-\$102.8	-\$92.6	-\$75.0	-\$45.3	-\$33.3
Senior Exemption	Do not adopt	-\$31.3	-\$42.2	-\$32.4	-\$30.6	-\$18.3
Car Loan Interest	Do not adopt	-\$9.0	-\$9.4	-\$11.6	-\$14.8	-\$10.1
No Tax on Tips	Do not adopt	-\$9.2	-\$13.1	-\$9.8	-\$10.1	-\$6.2
No Tax on Overtime	Do not adopt	-\$27.8	-\$39.4	-\$29.4	-\$30.6	-\$18.8

* The fiscal year estimated revenue change corresponds to the scenario where 2025 Maine tax forms assume conformity and the Legislature conforms to provision in the upcoming session. The initial timing of the revenue loss will be different if the 2025 forms do not assume conformity but the Legislature eventually conforms to the provision.

**The tax year 2025 revenue loss will primarily be spread over fiscal years 2026 and 2027.

***Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts (distributions made after DOE); Spaceports are treated like airports under exempt facility bond rules (obligations issued after DOE); Treatment of certain qualified sound recording productions (commencing in tax years ending after DOE); Exclusion of interest on loans secured by rural or agricultural real property (tax years ending after DOE); ACRS/Energy Efficient property.

****Under current law, Maine decouples from the federal standard deduction starting in 2026. Therefore, updating the conformity date alone would only affect tax year 2025.

2025 Maine Tax Forum

(presented by SCORE Maine)

SCORE Maine presents annual educational programs that provide tax preparers, enrolled agents, CPAs, and legal professionals with updated information about annual changes in Maine and Federal tax laws. The Maine Tax Forum (“MTF”) provides continuing education credits.

The 2025 **Maine Tax Forum** will be held on Wednesday and Thursday, November 5 and 6, 2025. Register today at scoremainetaxforum.org/maine-tax-forum/.

Maine Tax Portal (MTP), Free Training Available

To view free pre-recorded MTP instructional videos, visit maine.gov/revenue/webrecordings.

Careers and Internships at MRS

MRS’s mission is to fairly and efficiently administer the State’s tax laws with integrity and professionalism.

MRS is looking for smart, motivated, and team-oriented people to join our team. Benefits include:

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

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>.

Click the following link for more information about careers and paid internships and to sign up to receive notifications of new MRS job openings: maine.gov/revenue/careers.

MRS Contact Information:

A complete list of MRS contact information is available at maine.gov/revenue.

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.

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