

MAINE STATE LEGISLATURE

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132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

No. 221

H.P. 144

House of Representatives, January 21, 2025

An Act to Address the Effect of Changes to Federal Income Tax Laws on Maine Income Tax Laws

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 204.

Received by the Clerk of the House on January 16, 2025. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in black ink that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative CLOUTIER of Lewiston.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §5231, sub-§4** is enacted to read:

3 **4. Material budgetary impact.** The assessor may not grant a generally applicable
4 extension of time for payment or filing that would have a material budgetary impact on the
5 State without the approval of the Commissioner of Administrative and Financial Services.
6 Prior to granting the approval, the commissioner shall report in writing to the Governor the
7 nature of the extension and its budgetary impact and shall send a copy of the report to the
8 President of the Senate, the Speaker of the House of Representatives, the majority and
9 minority leaders of the Senate and House of Representatives, the chair of the joint standing
10 committee of the Legislature having jurisdiction over taxation matters and the chair of the
11 joint standing committee of the Legislature having jurisdiction over appropriations and
12 financial affairs.

13 **Sec. 2. 36 MRSA §5295** is enacted to read:

14 **§5295. Temporary adjustments to Maine income tax filing requirements based on**
15 **federal changes**

16 **1. Federal income tax law changes; report.** Whenever it appears to the
17 Commissioner of Administrative and Financial Services that the Legislature has not had
18 the opportunity before the bureau begins processing returns for the most recently completed
19 tax year to conform or adjust Maine laws in response to federal income tax law changes
20 affecting the tax year, the commissioner shall report in writing to the Governor a
21 description of the federal income tax law changes and their potential effect on Maine
22 income tax laws and the state budget. The commissioner shall timely send a copy of the
23 report to the President of the Senate, the Speaker of the House of Representatives, the
24 majority and minority leaders of the Senate and House of Representatives, the chair of the
25 joint standing committee of the Legislature having jurisdiction over taxation matters and
26 the chair of the joint standing committee of the Legislature having jurisdiction over
27 appropriations and financial affairs.

28 **2. Determination by Governor of temporary adjustment of Maine income tax**
29 **filing requirements.** After receiving the report pursuant to subsection 1, the Governor
30 may direct the assessor to temporarily adjust, in a manner determined equitable by the
31 Governor, the assessor's administration of the tax year based on some or all of the federal
32 income tax law changes as the Governor may equitably determine, contingent on the future
33 enactment by the Legislature of legislation that addresses the federal income tax law
34 changes. The Governor, to the extent practicable, shall make the determination consistent
35 with the intent of the Legislature in enacted Maine income tax laws and consider the
36 budgetary implications of the determination and the extent to which the determination
37 reduces the complexity of the affected tax year to ease taxpayers' compliance with, and the
38 bureau's administration of, Maine income tax laws.

39 **3. Notice.** Immediately upon making a determination pursuant to subsection 2, the
40 Governor shall notify the President of the Senate, the Speaker of the House of
41 Representatives, the majority and minority leaders of the Senate and House of
42 Representatives, the chair of the joint standing committee of the Legislature having
43 jurisdiction over taxation matters and the chair of the joint standing committee of the
44 Legislature having jurisdiction over appropriations and financial affairs of the specific

1 direction provided to the assessor and the effect of that determination on Maine income tax
2 laws and the state budget.

3 **4. Action by assessor.** Upon receiving the direction of the Governor pursuant to
4 subsection 2, the assessor shall proceed in accordance with that direction, including in the
5 processing of income tax returns and notices, the acceptance of tax payments and the
6 issuance of refunds.

7 The tax return filing instructions or related public information must:

8 A. State that the tax return filing instructions and processing of those returns are, in
9 whole or in part, contingent on the enactment by the Legislature of legislation that
10 addresses federal income tax law changes;

11 B. Explain that a taxpayer may choose to wait for the enactment by the Legislature of
12 legislation that addresses federal income tax law changes by filing under extension
13 pursuant to section 5231, subsection 4;

14 C. Require a taxpayer that files a tax return to do so in a manner consistent with the
15 issued tax returns, forms, instructions and other guidance; and

16 D. State that if the Legislature enacts legislation that addresses federal income tax law
17 changes that are at variance with the filing instructions in effect at the time of filing:

18 (1) The affected taxpayer is not subject to interest or penalty for a resulting
19 underpayment related to the variance;

20 (2) Any incorrect refund will not result in interest or penalty accruing prior to the
21 date of enactment of such legislation; and

22 (3) The affected taxpayer shall file an amended return to address the variance.

23 SUMMARY

24 This bill addresses the situation in which the Legislature has not had the opportunity
25 before the Department of Administrative and Financial Services, Bureau of Revenue
26 Services begins processing Maine income tax returns to conform or adjust Maine laws in
27 response to federal income tax law changes by:

28 1. Requiring the Commissioner of Administrative and Financial Services to approve
29 an extension of time for payment or filing that would have a material budgetary impact on
30 the State. Prior to approving the extension, the commissioner is required to report in
31 writing to the Governor the nature of the extension and its budgetary impact and to send a
32 copy of the report to the President of the Senate, the Speaker of the House of
33 Representatives, the majority and minority leaders of the Senate and House of
34 Representatives, the chair of the joint standing committee of the Legislature having
35 jurisdiction over taxation matters and the chair of the joint standing committee of the
36 Legislature having jurisdiction over appropriations and financial affairs;

37 2. Requiring the Commissioner of Administrative and Financial Services to report in
38 writing to the Governor a description of the federal changes, their potential effect on Maine
39 income tax laws and the state budget. The commissioner is required to send a copy of the
40 report to the President of the Senate, the Speaker of the House of Representatives, the
41 majority and minority leaders of the Senate and House of Representatives, the chair of the
42 joint standing committee of the Legislature having jurisdiction over taxation matters and

1 the chair of the joint standing committee of the Legislature having jurisdiction over
2 appropriations and financial affairs;

3 3. After receiving the report, allowing the Governor to direct the State Tax Assessor
4 to temporarily adjust the assessor's administration of the Maine income tax returns based
5 on some or all of such federal income tax law changes; and

6 4. Requiring the State Tax Assessor, based on direction from the Governor, to provide
7 taxpayers the option of waiting to file their tax returns until the Legislature has enacted
8 legislation to address the federal income tax law changes by filing for an extension or to
9 file their returns consistent with the issued tax returns, forms, instructions and other
10 guidance. If as a result of the changes enacted into law by the Legislature, there is an
11 underpayment by or incorrect refund to a taxpayer, penalties and interest accruing before
12 the date of enactment may not be imposed.