

MAINE STATE LEGISLATURE

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L.D. 229

Date: 4/8/26 MAJORITY

(Filing No. H- 1036)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
132ND LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "B" to H.P. 152, L.D. 229, "An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates"

Amend the bill by striking out the title and substituting the following:

'An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates and Bring Tax Relief to Maine Families by Changing Certain Tax Laws'

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 36 MRSA §683, sub-§1-B, as amended by PL 2019, c. 343, Pt. H, §2, is further amended to read:

1-B. Additional exemption. A homestead eligible for an exemption under subsection 1 is eligible for an additional exemption of \$5,000 of the just value of the homestead for property tax years beginning on April 1, 2016, \$10,000 of the just value of the homestead for property tax years beginning on April 1, 2017, April 1, 2018 and April 1, 2019 and, \$15,000 of the just value of the homestead for property tax years beginning on or after April 1, 2020 and each April 1st to April 1, 2026 and \$22,000 of the just value of the homestead for property tax years beginning on or after April 1, 2027.

Sec. 2. 36 MRSA §1760, sub-§9-B, as amended by PL 2021, c. 713, §§1 to 3 and affected by §4, is further amended to read:

9-B. Residential electricity. Sale and delivery of residential electricity as follows:

A. ~~The~~ Before October 1, 2026, the first 750 kilowatt-hours kilowatt-hours of residential electricity per month;

B. ~~Off-peak~~ Before October 1, 2026, off-peak residential electricity used for space heating or water heating by means of an electric thermal storage device. For the purpose of this paragraph, "off-peak residential electricity" means the off-peak delivery of residential electricity pursuant to tariffs on file with the Public Utilities Commission and the electricity supplied; ~~and~~

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C. ~~Residential~~ Before October 1, 2026, residential electricity consumed by eligible customers enrolled in a low-income assistance program implemented pursuant to Title 35-A, section 3214, subsection 2 or an arrearage management program implemented pursuant to Title 35-A, section 3214, subsection 2-A; and

D. Beginning October 1, 2026, the sale and delivery of all residential electricity.

For the purpose of this subsection, "residential electricity" means electricity furnished to buildings designed and used for both human habitation and sleeping, with the exception of hotels. When residential electricity is furnished through one meter to more than one residential unit and when the transmission and distribution utility applies its tariff on a per unit basis, the furnishing of electricity is considered a separate sale for each unit to which the tariff applies. For the purpose of this subsection, "delivery" means transmission and distribution.

Sec. 3. 36 MRSA §1760, sub-§121 is enacted to read:

121. Diapers. Beginning January 1, 2027, sales of disposable and reusable diapers, including diaper covers, wraps and diaper fasteners that are used with reusable diapers. For the purposes of this subsection, "diaper" means an absorbent garment worn by humans who are incapable of or having difficulty controlling their bladders or bowel movements that is marketed to be worn by adults or children.

Sec. 4. 36 MRSA §5111, sub-§1-F, as enacted by PL 2015, c. 267, Pt. DD, §3, is amended to read:

1-F. Single individuals and married persons filing separate returns; tax years beginning from 2017 to 2025. For tax years beginning on or after January 1, 2017 but before January 1, 2026, for single individuals and married persons filing separate returns:

| | |
|--|--|
| If Maine taxable income is: | The tax is: |
| Less than \$21,050 | 5.8% of the Maine taxable income |
| At least \$21,050 but less than \$50,000 | \$1,221 plus 6.75% of the excess over \$21,050 |
| \$50,000 or more | \$3,175 plus 7.15% of the excess over \$50,000 |

Sec. 5. 36 MRSA §5111, sub-§1-G is enacted to read:

1-G. Single individuals and married persons filing separate returns; tax years beginning 2026. For tax years beginning on or after January 1, 2026, for single individuals and married persons filing separate returns:

| | |
|---|---|
| If Maine taxable income is: | The tax is: |
| <u>Less than \$27,450</u> | <u>5.5% of the Maine taxable income</u> |
| <u>At least \$27,450 but less than \$64,950</u> | <u>\$1,510 plus 6.75% of the excess over \$27,450</u> |
| <u>At least \$64,950 but less than \$144,500</u> | <u>\$4,041 plus 7.15% of the excess over \$64,950</u> |
| <u>At least \$144,500 but less than \$500,000</u> | <u>\$9,729 plus 7.75% of the excess over \$144,500</u> |
| <u>\$500,000 or more</u> | <u>\$37,280 plus 8.95% of the excess over \$500,000</u> |

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Sec. 6. 36 MRSA §5111, sub-§2-F, as enacted by PL 2015, c. 267, Pt. DD, §5, is amended to read:

2-F. Heads of households; tax years beginning from 2017 to 2025. For tax years beginning on or after January 1, 2017 but before January 1, 2026, for unmarried individuals or legally separated individuals who qualify as heads of households:

| | |
|--|--|
| If Maine taxable income is: | The tax is: |
| Less than \$31,550 | 5.8% of the Maine taxable income |
| At least \$31,550 but less than \$75,000 | \$1,830 plus 6.75% of the excess over \$31,550 |
| \$75,000 or more | \$4,763 plus 7.15% of the excess over \$75,000 |

Sec. 7. 36 MRSA §5111, sub-§2-G is enacted to read:

2-G. Heads of households; tax years beginning 2026. For tax years beginning on or after January 1, 2026, for unmarried individuals or legally separated individuals who qualify as heads of households:

| | |
|---|---|
| <u>If Maine taxable income is:</u> | <u>The tax is:</u> |
| <u>Less than \$41,150</u> | <u>5.5% of the Maine taxable income</u> |
| <u>At least \$41,150 but less than \$97,450</u> | <u>\$2,263 plus 6.75% of the excess over \$41,150</u> |
| <u>At least \$97,450 but less than \$216,750</u> | <u>\$6,063 plus 7.15% of the excess over \$97,450</u> |
| <u>At least \$216,750 but less than \$750,000</u> | <u>\$14,593 plus 7.75% of the excess over \$216,750</u> |
| <u>\$750,000 or more</u> | <u>\$55,921 plus 8.95% of the excess over \$750,000</u> |

Sec. 8. 36 MRSA §5111, sub-§3-F, as enacted by PL 2015, c. 267, Pt. DD, §7, is amended to read:

3-F. Individuals filing married joint returns or surviving spouses; tax years beginning from 2017 to 2025. For tax years beginning on or after January 1, 2017 but before January 1, 2026, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

| | |
|---|---|
| If Maine taxable income is: | The tax is: |
| Less than \$42,100 | 5.8% of the Maine taxable income |
| At least \$42,100 but less than \$100,000 | \$2,442 plus 6.75% of the excess over \$42,100 |
| \$100,000 or more | \$6,350 plus 7.15% of the excess over \$100,000 |

Sec. 9. 36 MRSA §5111, sub-§3-G is enacted to read:

3-G. Individuals filing married joint returns or surviving spouses; tax years beginning 2026. For tax years beginning on or after January 1, 2026, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

| | |
|------------------------------------|---|
| <u>If Maine taxable income is:</u> | <u>The tax is:</u> |
| <u>Less than \$54,900</u> | <u>5.5% of the Maine taxable income</u> |

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| | | |
|---|---|---|
| 1 | <u>At least \$54,900 but less than \$129,900</u> | <u>\$3,020 plus 6.75% of the excess over</u> |
| 2 | | <u>\$54,900</u> |
| 3 | <u>At least \$129,900 but less than \$289,000</u> | <u>\$8,083 plus 7.15% of the excess over</u> |
| 4 | | <u>\$129,900</u> |
| 5 | <u>At least \$289,000 but less than \$1,000,000</u> | <u>\$19,459 plus 7.75% of the excess over</u> |
| 6 | | <u>\$289,000</u> |
| 7 | <u>\$1,000,000 or more</u> | <u>\$74,562 plus 8.95% of the excess over</u> |
| 8 | | <u>\$1,000,000</u> |

9 **Sec. 10. 36 MRSA §5213-A, sub-§1, ¶A-1**, as enacted by PL 2017, c. 474, Pt. B,
10 §9, is amended to read:

11 A-1. For tax years beginning on or after January 1, 2018 and before January 1, 2026,
12 "base credit" means:

- 13 (1) For single individuals, \$125; and
- 14 (2) For individuals filing joint returns or as heads of households, \$175 plus an
15 additional amount equal to:
 - 16 (a) For individuals filing joint returns, \$25 if they can claim the federal child
17 tax credit pursuant to the Code, Section 24 for no more than one qualifying
18 child or dependent or \$50 if they can claim the credit for more than one
19 qualifying child or dependent; or
 - 20 (b) For individuals filing as heads of households, \$25 if they can claim the
21 federal child tax credit pursuant to the Code, Section 24 for 2 qualifying
22 children or dependents or \$50 if they can claim the credit for more than 2
23 qualifying children or dependents.

24 **Sec. 11. 36 MRSA §5213-A, sub-§1, ¶A-2** is enacted to read:

25 A-2. For tax years beginning on or after January 1, 2026, "base credit" means:

- 26 (1) For single individuals, \$170; and
- 27 (2) For individuals filing joint returns or as heads of households, \$240 plus an
28 additional amount equal to:
 - 29 (a) For individuals filing joint returns, \$40 if they can claim the federal child
30 tax credit pursuant to the Code, Section 24 for no more than one qualifying
31 child or dependent or \$75 if they can claim the credit for more than one
32 qualifying child or dependent; or
 - 33 (b) For individuals filing as heads of households, \$40 if they can claim the
34 federal child tax credit pursuant to the Code, Section 24 for 2 qualifying
35 children or dependents or \$75 if they can claim the credit for more than 2
36 qualifying children or dependents.

37 **Sec. 12. 36 MRSA §5213-A, sub-§4**, as enacted by PL 2015, c. 267, Pt. DD, §19,
38 is amended to read:

- 39 **4. Phase-out of credit.** The credit allowed under this section is phased out as follows.
- 40 A. ~~For single individuals, the credit is reduced by \$10 for every \$500 or portion thereof~~
41 ~~that exceeds \$20,000 of the income.~~

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1 ~~B. For unmarried individuals or legally separated individuals who qualify as heads of~~
2 ~~households, the credit is reduced by \$15 for every \$750 or portion thereof that exceeds~~
3 ~~\$30,000 of the income.~~

4 ~~C. For individuals filing married joint returns or surviving spouses permitted to file~~
5 ~~joint returns, the credit is reduced by \$20 for every \$1,000 or portion thereof that~~
6 ~~exceeds \$40,000 of the income.~~

7 D. For tax years beginning before January 1, 2026:

8 (1) For single individuals, the credit is reduced by \$10 for every \$500 or portion
9 thereof that exceeds \$20,000 of the income;

10 (2) For unmarried individuals or legally separated individuals who qualify as
11 heads of households, the credit is reduced by \$15 for every \$750 or portion thereof
12 that exceeds \$30,000 of the income; and

13 (3) For individuals filing married joint returns or surviving spouses permitted to
14 file joint returns, the credit is reduced by \$20 for every \$1,000 or portion thereof
15 that exceeds \$40,000 of the income.

16 E. For tax years beginning on or after January 1, 2026:

17 (1) For single individuals, the credit is reduced by \$10 for every \$500 or portion
18 thereof that exceeds \$34,000 of the income;

19 (2) For unmarried individuals or legally separated individuals who qualify as
20 heads of households, the credit is reduced by \$15 for every \$750 or portion thereof
21 that exceeds \$51,000 of the income; and

22 (3) For individuals filing married joint returns or surviving spouses permitted to
23 file joint returns, the credit is reduced by \$20 for every \$1,000 or portion thereof
24 that exceeds \$68,000 of the income.

25 **Sec. 13. 36 MRSA §5219-KK, sub-§2-D**, as amended by PL 2023, c. 412, Pt. S,
26 §4, is repealed and the following enacted in its place:

27 **2-D. Credit in 2022 and after.** For tax years beginning on or after January 1, 2022,
28 a resident individual is allowed a credit against the taxes imposed under this Part equal to
29 the amount by which the benefit base for the resident individual exceeds 4% of the resident
30 individual's income, except that, for tax years beginning on or after January 1, 2027, a
31 resident individual who is 65 years of age or older with an annual income at or below
32 \$36,000 is allowed a credit against the taxes imposed under this Part equal to the amount
33 by which the benefit base for the resident individual exceeds 3% of the resident individual's
34 income. The amount of the credit may not exceed:

35 A. For tax years beginning on or after January 1, 2022 and before January 1, 2026,
36 \$1,000 for resident individuals under 65 years of age as of the last day of the taxable
37 year;

38 B. For tax years beginning on or after January 1, 2026, \$1,500 for resident individuals
39 under 65 years of age as of the last day of the taxable year;

40 C. For tax years beginning on or after January 1, 2022 and before January 1, 2024,
41 \$1,500 for resident individuals 65 years of age and older as of the last day of the taxable
42 year; and

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1 D. For tax years beginning on or after January 1, 2024, \$2,000 for resident individuals
2 65 years of age and older as of the last day of the taxable year.

3 In the case of married individuals filing a joint return, only one spouse is required to be 65
4 years of age or older to qualify for the credit applicable to individuals who are 65 years of
5 age and older as established by this subsection or to qualify for the limitation specified in
6 paragraphs C and D. Married individuals filing separate returns do not qualify for the credit
7 under this section.

8 **Sec. 14. 36 MRSA §5403, sub-§1**, as enacted by PL 2015, c. 267, Pt. DD, §33, is
9 repealed and the following enacted in its place:

10 **1. Individual income tax rate tables.** Beginning in 2026 and each year thereafter, by
11 the dollar amounts of the tax rate tables specified in section 5111, subsections 1-G, 2-G
12 and 3-G, except that for the purposes of this subsection, notwithstanding section 5402,
13 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for
14 the 12-month period ending June 30th of the preceding calendar year divided by the
15 Chained Consumer Price Index for the 12-month period ending June 30, 2025;

16 **Sec. 15. 36 MRSA §5403, sub-§5**, as amended by PL 2017, c. 474, Pt. B, §22, is
17 further amended to read:

18 **5. Sales tax fairness credit.** For the sales tax fairness credit:

19 A. Beginning in 2018 and each year thereafter, by the base credit amounts in section
20 5213-A, subsection 1, paragraph A-1, including the additional amounts in section
21 5213-A, subsection 1, paragraph A-1, subparagraph (2), divisions (a) and (b), except
22 that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B,
23 the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month
24 period ending June 30th of the preceding calendar year divided by the Chained
25 Consumer Price Index for the 12-month period ending June 30, 2017. If the base credit
26 amount, adjusted by application of the cost-of-living adjustment, is not a multiple of
27 \$5; any increase must be rounded to the next lowest multiple of \$5; and

28 C. Beginning in 2016 and each year ~~thereafter~~ prior to 2026, by the dollar amount of
29 the income threshold set forth in section 5213-A, subsection 4, paragraph D, except
30 that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B,
31 the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month
32 period ending June 30th of the preceding calendar year divided by the Chained
33 Consumer Price Index for the 12-month period ending June 30, 2015;

34 D. Beginning in 2026 and each year thereafter, by the base credit amounts in section
35 5213-A, subsection 1, paragraph A-2, including the additional amounts in section
36 5213-A, subsection 1, paragraph A-2, subparagraph (2), divisions (a) and (b), except
37 that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B,
38 the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month
39 period ending June 30th of the preceding calendar year divided by the Chained
40 Consumer Price Index for the 12-month period ending June 30, 2025. If the base credit
41 amount, adjusted by application of the cost-of-living adjustment, is not a multiple of
42 \$5, any increase must be rounded to the next lowest multiple of \$5; and

43 E. Beginning in 2026 and each year thereafter, by the dollar amount of the income
44 threshold set forth in section 5213-A, subsection 4, paragraph E, except that for the

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1 purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-
2 living adjustment" is the Chained Consumer Price Index for the 12-month period
3 ending June 30th of the preceding calendar year divided by the Chained Consumer
4 Price Index for the 12-month period ending June 30, 2025;

5 **Sec. 16. 36 MRSA §5403, sub-§6**, as repealed and replaced by PL 2023, c. 412,
6 Pt. S, §5, is amended to read:

7 **6. Property tax fairness credit.** For the property tax fairness credit:

8 A. Beginning in 2018 and each year thereafter, by the benefit base amounts in section
9 5219-KK, subsection 1, paragraph A-1, subparagraphs (1) to (3), except that for the
10 purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-
11 of-living adjustment" is the Chained Consumer Price Index for the 12-month period
12 ending June 30th of the preceding calendar year divided by the Chained Consumer
13 Price Index for the 12-month period ending June 30, 2017; ~~and~~

14 B. Beginning in 2024 and each year thereafter, by the benefit base amount in section
15 5219-KK, subsection 1, paragraph A-1, subparagraph (4), except that for the purposes
16 of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living
17 adjustment" is the Chained Consumer Price Index for the 12-month period ending June
18 30th of the preceding calendar year divided by the Chained Consumer Price Index for
19 the 12-month period ending June 30, 2023; and

20 C. Beginning in 2026 and each year thereafter, by the income amount at or below
21 which a resident individual who is 65 years of age or older is allowed the credit
22 provided in section 5219-KK, subsection 2-D that is equal to the amount by which the
23 benefit base for the resident individual exceeds 3% of the resident individual's income,
24 except that for the purposes of this subsection, notwithstanding section 5402,
25 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index
26 for the 12-month period ending June 30th of the preceding calendar year divided by
27 the Chained Consumer Price Index for the 12-month period ending June 30, 2025;

28 **Sec. 17. Appropriations and allocations.** The following appropriations and
29 allocations are made.

30 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
31 **Revenue Services, Bureau of 0002**

32 Initiative: Provides one-time funding for administrative expenses, including printing and
33 mailing, temporary services and computer system changes and related testing.

| | | | |
|----|---------------------------|----------------|------------------|
| 34 | GENERAL FUND | 2025-26 | 2026-27 |
| 35 | All Other | \$0 | \$193,270 |
| 36 | | | |
| 37 | GENERAL FUND TOTAL | <u>\$0</u> | <u>\$193,270</u> |

38
39 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section
40 number to read consecutively.

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SUMMARY

This amendment replaces the bill and changes the title. The amendment makes the following changes to the tax laws.

1. It changes, beginning in 2026, the current income tax brackets by increasing the threshold amount of income subject to the current tax rates of 6.75% and 7.15%. It reduces the tax rate of the lowest tax bracket from 5.8% to 5.5%. It adds 2 new tax brackets and establishes rates of tax on the 2 new brackets of 7.75% and 8.95%, respectively.

2. It provides that, for tax years beginning on or after January 1, 2027, for resident individuals who are 65 years of age and older filing individually or as a married individual filing jointly, with an annual income of \$36,000 or less, indexed for inflation, the property tax fairness credit is equal to the amount by which the benefit base for the resident individual exceeds 3% of the resident individual's income. In the case of married individuals filing jointly, only one spouse is required to be 65 years of age or older to qualify for the tax credit. The amendment does not eliminate the property tax fairness credit available under current law.

3. It increases, for tax years beginning on or after January 1, 2026, the property tax fairness credit for individuals under 65 years of age from \$1,000 to \$1,500.

4. It provides, beginning January 1, 2027, a sales tax exemption for disposable and reusable diapers, including diaper covers, wraps and diaper fasteners, that are marketed to be worn by adults or children.

5. It expands the sales tax exemption for the sale and delivery of residential electricity to cover all sales and deliveries of residential electricity beginning October 1, 2026.

6. It provides an increase of \$7,000 in the homestead exemption for property tax years beginning on or after April 1, 2027, for a total of up to \$32,000.

7. It updates the sales tax fairness credit for tax years beginning on or after January 1, 2026. The maximum credit allowed under the updated credit is \$170 for single filers, \$240 for individuals filing jointly with no qualifying children or dependents or as heads of households with no more than one qualifying child or dependent, \$280 for individuals filing jointly with no more than one qualifying child or dependent or as heads of households with no more than 2 qualifying children or dependents and \$315 for individuals filing jointly with 2 or more qualifying children or dependents or as heads of households with 3 or more qualifying children or dependents. The updated credit begins to phase out at \$34,000 for single filers, \$51,000 for heads of households and \$68,000 for married joint filers. The updated credit is adjusted annually for inflation.

FISCAL NOTE REQUIRED

(See attached)



132nd MAINE LEGISLATURE

LD 229

LR 424(04)

An Act to Bring Fairness in Income Taxes to Maine Families by Adjusting the Tax Brackets and Tax Rates

Fiscal Note for Bill as Amended by Committee Amendment "B" (M-1036)

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

| | FY 2025-26 | FY 2026-27 | Projections FY 2027-28 | Projections FY 2028-29 |
|-----------------------------------|------------|----------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | (\$70,685,280) | (\$18,815,000) | (\$13,502,250) |
| Appropriations/Allocations | | | | |
| General Fund | \$0 | \$193,270 | \$19,299,000 | \$25,918,000 |
| Revenue | | | | |
| General Fund | \$0 | \$70,878,550 | \$38,114,000 | \$39,420,250 |
| Other Special Revenue Funds | \$0 | \$3,730,450 | \$2,006,000 | \$2,074,750 |

Fiscal Detail and Notes

The bill would result in a net increase in General Fund revenue of \$70,878,550 in fiscal year 2026-27, \$38,114,000 in fiscal year 2027-28 and \$39,420,250 in fiscal year 2028-29 from adjusting individual income tax rate brackets and increasing the top marginal tax rates for tax years beginning on or after January 1, 2026 as well as other changes to tax law. The bill would result in a revenue increase to the Local Government Fund of \$3,730,450 in fiscal year 2026-27, \$2,006,000 in fiscal year 2027-28 and \$2,074,750 in fiscal year 2028-29. The bill would increase General Fund costs beginning in fiscal year 2027-28 from increasing the homestead exemption by \$7,000 and provides an appropriation of \$193,270 in fiscal year 2026-27 for administrative costs of the Department of Administrative and Financial Services, Bureau of Revenue Services.