

MAINE STATE LEGISLATURE

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132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

No. 671

H.P. 439

House of Representatives, February 25, 2025

An Act to Abolish the Maine Income Tax and Establish a Zero-based Budget

Received by the Clerk of the House on February 20, 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 cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative LIBBY of Auburn.
Cosponsored by Senator HAGGAN of Penobscot and
Representatives: BOYER of Poland, HAGGAN of Hampden, MINGO of Calais, MORRIS of
Turner, OLSEN of Raymond.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA c. 843** is enacted to read:

4 **CHAPTER 843**

5 **INCOME TAX ELIMINATION**

6 **§5501. Elimination of income tax**

7 For tax years beginning on or after January 1, 2026, no tax may be collected under this
8 Part.

9 **Sec. A-2. Department of Administrative and Financial Services review and**
10 **report; references to income tax.** The Department of Administrative and Financial
11 Services shall review the provisions of the Maine Revised Statutes that refer to Maine
12 income tax and submit a report, including suggested legislation, to the Second Regular
13 Session of the 132nd Legislature identifying any changes necessary to implement this Act.

14 **PART B**

15 **Sec. B-1. 5 MRSA §1662, sub-§1-B** is enacted to read:

16 **1-B. State budget document.** For biennial budget documents for fiscal years 2026-
17 27 and 2027-28, the budget document must be prepared and submitted using a budget
18 process that includes zero-based budgeting for each department and agency in the
19 Executive, Legislative and Judicial Departments of State Government at least once every
20 8 years. For the purposes of this section, "zero-based budgeting" means a method of
21 budgeting in which programs and activities are justified for a budgetary period using cost-
22 benefit analysis without regard to the amount that was budgeted for those programs and
23 activities in a prior budgetary period.

24 **Sec. B-2. Budget provisions review.** By January 1, 2026, the Department of
25 Administrative and Financial Services shall review the provisions of the Maine Revised
26 Statutes, Title 5, chapter 149 and submit legislation to the Second Regular Session of the
27 132nd Legislature making necessary changes to statute to facilitate the submission of a
28 budget for fiscal years 2026-27 and 2027-28 that includes zero-based budgeting based on
29 the following conditions:

- 30 1. Establishing a zero-based budgeting system in which each agency is required to use
31 a zero-based budgeting format every 8 years;
- 32 2. Establishing a system for periodic agency review with the biennial budget;
- 33 3. Establishing targeted budgeting or a similar alternative budgeting system for
34 agencies for budget submissions during years when the agency is not submitting a zero-
35 based budget; and
- 36 4. Requiring the provision of alternative funding and budget recommendations for
37 agencies that, at a minimum, require recommendations from each agency outlining 5% and

1 10% funding reduction proposals during years when the agency is not submitting a zero-
2 based budget.

3 **SUMMARY**

4 This bill eliminates the Maine income tax beginning January 1, 2026. It requires the
5 Department of Administrative and Financial Services to review provisions of law that refer
6 to income tax and submit a report, including suggested legislation, to the Second Regular
7 Session of the 132nd Legislature identifying necessary changes to implement the
8 elimination. The bill also requires the development of a new budgeting system in which
9 agencies would be subject to zero-based budgeting every 8 years and in the interim years
10 be subject to review and alternative budget requirements.