

MAINE STATE LEGISLATURE

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132nd MAINE LEGISLATURE

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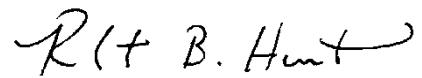
H.P. 1469

House of Representatives, February 3, 2026

An Act to Amend Certain State Tax Laws

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 203.

Reference to the Committee on Taxation suggested and ordered printed.



ROBERT B. HUNT
Clerk

Presented by Representative SAYRE of Kennebunk.

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

PART A

Sec. A-1. 36 MRSA §5122, sub-§1, ¶KK, as enacted by PL 2015, c. 388, Pt. A, §5, is amended to read:

KK. For taxable years beginning on or after January 1, 2015 but before January 1, 2025:

(1) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property placed in service in the State during the taxable year for which a credit is claimed under section 5219-NN for that taxable year; and

(2) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property for which a credit is not claimed under section 5219-NN.

Sec. A-2. 36 MRSA §5122, sub-§1, ¶QQ is enacted to read:

QQ. For taxable years beginning on or after January 1, 2025, an amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k).

Sec. A-3. 36 MRSA §5122, sub-§2, ¶M-3, as corrected by RR 2025, c. 1, Pt. A, §55, is amended to read:

M-3. For tax years beginning on or after January 1, 2025, the amount in paragraph M-2, subparagraph (1), division (a) must be reduced by an amount equal to the total amount in paragraph M-2, subparagraph (1), division (a) multiplied by a fraction, the numerator of which is the taxpayer's federal adjusted gross income less the applicable amount, except that the numerator may not be less than zero, and the denominator of which is \$100,000, except for tax years beginning in 2025 only, the denominator is \$50,000 in the case of a married individual filing a separate return and \$100,000 in all ~~other filing~~ cases. The fraction contained in this paragraph may not produce a result that is more than one. The applicable amount must be adjusted for inflation in accordance with section 5403, subsection 11.

For purposes of this paragraph, "applicable amount" means:

(1) For individuals filing as single individuals and for married individuals filing separate returns, \$125,000;

(2) For individuals filing as heads of households, \$187,500; or

(3) For individuals filing married joint returns or as surviving spouses, \$250,000;
or

(4) For married individuals filing separate returns, 1/2 of the applicable amount under subparagraph (3);

Sec. A-4. 36 MRSA §5122, sub-§2, ¶RR, as enacted by PL 2019, c. 527, Pt. A, §2 and reallocated by RR 2019, c. 1, Pt. A, §70, is amended to read:

1 RR. For taxable years beginning on or after January 1, 2020, an amount equal to the
2 net increase in the depreciation deduction allowable under the Code, Sections 167 and
3 168 that would have been applicable to that property had the depreciation deduction
4 under the Code, Section 168(k) not been claimed with respect to such property placed
5 in service during the taxable year beginning on or after January 1, 2020 for which an
6 addition was required under subsection 1, paragraph KK and, for taxable years
7 beginning on or after January 1, 2025, under subsection 1, paragraph QQ for the taxable
8 year.

9 Upon the taxable disposition of property to which this paragraph applies, the amount
10 of any gain or loss includable in federal adjusted gross income must be adjusted for
11 Maine income tax purposes by an amount equal to the difference between the addition
12 modification for such property under subsection 1, paragraph paragraphs KK and QQ
13 and the subtraction modifications allowed pursuant to this paragraph.

14 The total amount of subtraction claimed under this paragraph for all tax years may not
15 exceed the addition modification under subsection 1, paragraph KK for taxable years
16 beginning on or after January 1, 2020 and, for taxable years beginning on or after
17 January 1, 2025, under subsection 1, paragraph QQ for the same property.

18 **Sec. A-5. 36 MRSA §5200-A, sub-§1, ¶CC**, as enacted by PL 2015, c. 388, Pt.
19 A, §11, is amended to read:

20 CC. For taxable years beginning on or after January 1, 2015 but before January 1,
21 2025:

- 22 (1) An amount equal to the net increase in depreciation attributable to the
23 depreciation deduction claimed by the taxpayer under the Code, Section 168(k)
24 with respect to property placed in service in the State during the taxable year for
25 which a credit is claimed under section 5219-NN for that taxable year; and
- 26 (2) An amount equal to the net increase in depreciation attributable to the
27 depreciation deduction claimed by the taxpayer under the Code, Section 168(k)
28 with respect to property for which a credit is not claimed under section 5219-NN.

29 **Sec. A-6. 36 MRSA §5200-A, sub-§1, ¶II** is enacted to read:

30 II. For taxable years beginning on or after January 1, 2025, an amount equal to the net
31 increase in depreciation attributable to the depreciation deduction claimed by the
32 taxpayer under the Code, Section 168(k).

33 **Sec. A-7. 36 MRSA §5200-A, sub-§2, ¶FF**, as enacted by PL 2019, c. 527, Pt. A,
34 §4, is amended to read:

35 FF. For taxable years beginning on or after January 1, 2020, an amount equal to the
36 net increase in the depreciation deduction allowable under the Code, Sections 167 and
37 168 that would have been applicable to that property had the depreciation deduction
38 under the Code, Section 168(k) not been claimed with respect to such property placed
39 in service during the taxable year beginning on or after January 1, 2020 for which an
40 addition was required under subsection 1, paragraph CC and, for taxable years
41 beginning on or after January 1, 2025, under subsection 1, paragraph II for the taxable
42 year.

Upon the taxable disposition of property to which this paragraph applies, the amount of any gain or loss includable in federal taxable income must be adjusted for Maine income tax purposes by an amount equal to the difference between the addition modification for such property under subsection 1, paragraph paragraphs CC and II and the subtraction modifications allowed pursuant to this paragraph.

The total amount of subtraction claimed under this paragraph for all tax years may not exceed the addition modification under subsection 1, paragraph CC for taxable years beginning on or after January 1, 2020 and, for taxable years beginning on or after January 1, 2025, under subsection 1, paragraph II for the same property.

Sec. A-8. 36 MRSA §5295, sub-§4, ¶B, as enacted by PL 2025, c. 336, §2, is amended to read:

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

PART B

Sec. B-1. 36 MRSA §1760, sub-§5-A, as repealed and replaced by PL 2017, c. 170, Pt. C, §4 and affected by §9, is amended to read:

5-A. Prosthetic or orthotic devices. Sales of:

A. Prosthetic or orthotic devices sold by means of an order issued by a health care practitioner as defined in Title 24, section 2502, subsection 1-A who is licensed under Title 32; and.

B. Crutches and wheelchairs for the use of sick, injured or disabled persons and not for rental.

Sec. B-2. 36 MRSA §1760, sub-§58, as amended by PL 2003, c. 588, §8, is repealed.

A. Tangible personal property that becomes an ingredient or component part of tangible personal property produced for later sale or lease, ~~other than lease for use in this State~~, or that becomes an ingredient or component part of tangible personal property produced pursuant to a contract with the Federal Government or an agency of the Federal Government; and

Sec. B-4. 36 MRSA §1760, sub-§74, ¶B, as enacted by PL 2007, c. 438, §46, is amended to read:

B. Tangible personal property, other than fuel or electricity, that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property for later sale or lease, ~~other than lease for use in this State~~, or that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property produced pursuant to a contract with the Federal Government or an agency of the Federal Government.

Sec. B-5. 36 MRSA §4403, sub-§1, as amended by PL 2025, c. 388, Pt. E, §5 and affected by §6, is further amended to read:

1. Smokeless tobacco products before January 5, 2026. Before January 5, 2026, a tax is imposed on smokeless tobacco products, including chewing tobacco and snuff, at the rate of:

- A. On amounts of smokeless tobacco products packaged for sale to the consumer in a package that contains one ounce or more of smokeless tobacco products, \$2.02 per ounce and prorated; and
- B. On smokeless tobacco products packaged for sale to the consumer in a package that contains less than one ounce of smokeless tobacco products, \$2.02 per package.

Beginning January 2, 2020, the tax rates in this subsection are subject to adjustment pursuant to subsection 5.

Sec. B-6. 36 MRSA §4403, sub-§1-A, as enacted by PL 2025, c. 388, Pt. E, §5 and affected by §6, is amended to read:

1-A. Smokeless tobacco products on or after January 5, 2026. Beginning January 5, 2026, a tax is imposed on smokeless tobacco products, including chewing tobacco and snuff, at the rate of:

- A. On amounts of smokeless tobacco products packaged for sale to the consumer in a package that contains one ounce or more of smokeless tobacco products, \$3.54 per ounce and prorated; and
- B. On smokeless tobacco products packaged for sale to the consumer in a package that contains less than one ounce of smokeless tobacco products, \$3.54 per package.

The tax rates in this subsection are subject to adjustment pursuant to subsection 5.

PART C

Sec. C-1. 36 MRSA §502, first ¶, as amended by PL 1997, c. 216, §1, is further amended to read:

All real estate within the State, all personal property of residents of the State and all personal property within the State of persons not residents of the State is subject to taxation on the first day of each April as provided; and the status of all taxpayers and of such taxable property must be fixed as of that date. Upon receipt of a declaration of value under section 4641-D reflecting a change of ownership in real property, the assessor may change the records of the municipality to reflect the identity of the new owner, if notice of tax liabilities is sent both to the new owner and to the owner of record as of the April 1st when the liability accrued. The taxable year is from April 1st to ~~April 1st~~ March 31st. Notwithstanding this section, proration of taxes must be over the period specified in section 558.

Sec. C-2. 36 MRSA §943, 4th ¶, as enacted by PL 2025, c. 351, §1, is amended to read:

If the party named on the tax lien mortgage has sold or otherwise conveyed the property to another person and provides proof of payment of that party's own pro rata share of taxes due, the municipal treasurer or the treasurer's designee ~~of record~~ shall prepare and record, upon request from the party named on the tax lien mortgage, a discharge of the tax lien mortgage against that party in the same manner as is now provided for the discharge of real

1 estate mortgages, except that a facsimile signature of the treasurer or treasurer's assignee
2 may be used. The discharge under this paragraph is only for the seller certificate that names
3 that party and states that the party has paid that party's own pro rata share of the taxes owed
4 and does not owe property taxes in connection with the tax lien mortgage. The discharge
5 of the tax lien must include a statement that the assignee, following the release of the
6 property, did not owe property taxes as to the released property. The assignee of the
7 discharge party requesting the certificate is responsible for the cost of recording the
8 discharge certificate. The assignee of the discharge must be limited to the seller Only a
9 party named on the tax lien mortgage who has sold or otherwise disposed of the property
10 that is the subject of the tax lien mortgage may request a certificate prepared and recorded
11 under this paragraph.

12 **Sec. C-3. 36 MRSA §948, first ¶** is amended to read:

13 When taxes are assessed under section 713, the lien upon real estate shall must be
14 enforced as provided in sections 941 to 943 according to the procedures provided in this
15 subchapter; except that if real estate shall have been transferred to a bona fide purchaser
16 for value since the assessment was omitted or invalidly made with the transfer duly
17 recorded, prior to the date of the supplemental assessment, the lien shall terminate
18 terminates.

19 **Sec. C-4. 36 MRSA §949**, as enacted by PL 2015, c. 53, §1, is repealed.

20 **Sec. C-5. 36 MRSA §1281, first ¶**, as amended by PL 2023, c. 579, §2, is further
21 amended to read:

22 Annually, after January 15th but no later than January 31st, the State Tax Assessor
23 shall send by mail to the last known address of each owner of real estate subject to
24 assessment under section 1602, including supplementary taxes assessed under section
25 1331, upon which taxes remain unpaid a notice in writing, containing a description of the
26 real estate assessed and the amount of unpaid taxes and interest, and alleging that a lien is
27 claimed on that real estate for payment of those taxes, interests and costs, with a demand
28 that payment be made by the next February 21st. For property that constitutes a homestead
29 for which a property tax exemption is claimed under chapter 105, subchapter 4-B, the State
30 Tax Assessor shall include in the written notice written notice to the owner named on the
31 tax lien mortgage that that owner may be eligible to file an application for tax abatement
32 under section 841, subsection 2, indicating that the State Tax Assessor, upon request, will
33 assist the owner in requesting an abatement and provide information regarding the
34 procedures for making such a request. The notice must also indicate that the owner may
35 seek assistance from an advisor who can help the owner work with the State Tax Assessor
36 to avoid tax lien foreclosure and provide information regarding ways to contact sources of
37 assistance including legal services providers described in Title 4, section 18-A, subsection
38 1, paragraph B. The Department of Professional and Financial Regulation, Bureau of
39 Consumer Credit Protection, by July 15th annually, shall post on a publicly accessible
40 website information on accessing sources of assistance, and that information may be used
41 by the State Tax Assessor in providing the information required in the notice. Before
42 posting this information, the bureau shall consider input, if any, received from legal
43 services providers, counselors and state and federal agencies involved in foreclosure
44 prevention matters. If the owners of any such real estate are unknown, instead of sending
45 the notices by mail, the assessor shall cause the information required in this section on that

1 real estate to be advertised in the state paper and in a newspaper, if any, of general
2 circulation in the county in which the real estate lies. Such a statement or advertisement is
3 sufficient legal notice of delinquent taxes. If those taxes and interest to date of payment and
4 costs are not paid by February 21st, the State Tax Assessor shall record by March 15th, in
5 the registry of deeds of the county or registry district where the real estate lies, a certificate
6 signed by the assessor, setting forth the name or names of the owners according to the last
7 state valuation, or the valuation established in accordance with section 1331; the
8 description of the real estate assessed as contained in the last state valuation, or the
9 valuation established in accordance with section 1331; the amount of unpaid taxes and
10 interest; the amount of costs; and a statement that demand for payment of those taxes has
11 been made, and that those taxes, interest and costs remain unpaid. The costs charged by
12 the register of deeds for the filing may not exceed the fees established by Title 33, section
13 751.

14 **Sec. C-6. 36 MRSA §1283**, as amended by PL 2017, c. 375, Pt. F, §§2 and 3 and
15 affected by §4, is further amended to read:

16 **§1283. Supervision, administration and sale of real estate**

17 A copy of the lien certificate ~~shall~~ must be filed in the office of the State Tax Assessor.
18 On the 30th day of March annually, whenever the State ~~shall have~~ has acquired title to real
19 estate assessed for any taxes assessed under chapter 115, the State Tax Assessor shall
20 certify to the State Controller the amount of unpaid taxes, interest and costs then
21 outstanding. Unpaid taxes and interest and costs on the books of the State ~~shall~~ must be
22 charged against the Unorganized Territory Education and Services Fund.

23 Whenever the State acquires title to real estate under this subchapter, except real estate
24 that is a permanent residence, as defined in section 681, the State Tax Assessor shall cause
25 an inventory to be made of all the real estate. The inventory must contain a description of
26 the real estate, amount of accrued taxes by years and any other information necessary in
27 the administration and supervision of the real estate. A copy of the inventory must be
28 furnished to the Commissioner of Agriculture, Conservation and Forestry and the
29 Commissioner of Inland Fisheries and Wildlife prior to the convening of the Legislature.
30 The ~~assessor~~ State Tax Assessor shall report annually to the Legislature not later than 15
31 days after it convenes. The report must contain a copy of the inventory of real estate then
32 owned by the State and such recommendations as to the disposition of this real estate the
33 ~~assessor~~ State Tax Assessor, the Commissioner of Agriculture, Conservation and Forestry
34 and the Commissioner of Inland Fisheries and Wildlife may wish to make. Whenever the
35 State acquires title to real estate that is a permanent residence, as defined in section 681,
36 the State Tax Assessor may cause an inventory to be made of that real estate; that inventory
37 must comply with the requirements of this paragraph.

38 The State Tax Assessor shall, after authorization by the Legislature, sell and convey
39 any ~~such~~ real estate upon which a tax lien mortgage has been foreclosed pursuant to this
40 chapter; but shall in all cases of sales, except sales to the former owners of the real estate,
41 give public notice of the proposal to sell such real estate and shall ask for competitive bids
42 and shall sell to the highest bidder, with the right of rejecting all bids using the sale process
43 provided under section 943-C. Sales of such real estate or any stumpage on that real estate
44 may not be made by the State Tax Assessor except by authorization of the Legislature.
45 Notwithstanding any provisions of this chapter to the contrary, if the State Tax Assessor

1 has not yet conveyed such real estate, the State Tax Assessor may convey the real estate to
2 the prior owner under the authorization of this section if the tax, interest and costs are
3 satisfied by way of full payment, compromise or abatement.

4 The supervision, administration, utilization and vindication of the rights of the State in
5 such real estate shall be are vested in the State Tax Assessor until title is conveyed or
6 otherwise disposed of by the Legislature.

7 ~~All money received from the sale or use of such real estate shall be credited to the~~
8 ~~Unorganized Territory Education and Services Fund.~~

9 This section shall ~~apply~~ applies to real estate acquired through tax sales and owned by
10 the State.

11 **Sec. C-7. 36 MRSA §2723-A, sub-§5-A**, as amended by PL 1997, c. 24, Pt. C,
12 §6, is further amended to read:

13 **5-A. Computing tax.** This amount must be multiplied by 40% and the ~~sum product~~
14 must then be divided by the total number of adjusted acres of commercial forest land,
15 rounded to the nearest 1/10 of a cent and multiplied by the number of adjusted acres of
16 commercial forest land owned by each taxpayer to determine the amount of tax for which
17 each owner of commercial forest land is liable.

18 **Sec. C-8. 36 MRSA §6252, sub-§2**, as amended by PL 2021, c. 483, Pt. AA, §7
19 and affected by §21, is further amended to read:

20 **2. Fee simple estate.** The individual claiming a deferral must, solely or together with
21 the individual's spouse, own the fee simple estate or be purchasing the fee simple estate
22 under a recorded instrument of sale, or 2 or more individuals must together own or be
23 purchasing the fee simple estate with rights of survivorship under a recorded instrument of
24 sale if all owners live in the homestead. For purposes of this subsection, property held in a
25 revocable living trust for the benefit of the taxpayer is deemed to be a fee simple estate
26 owned by the taxpayer.

27 **Sec. C-9. 36 MRSA §6254, sub-§2-B**, as enacted by PL 1989, c. 713, §4, is
28 amended to read:

29 **2-B. Sale; legislative authorization.** After authorization by the Legislature, the State
30 Tax Assessor shall, sell or convey any ~~such~~ real estate upon which a tax lien mortgage has
31 been foreclosed pursuant to this chapter, but shall in all cases of sales, except sales to former
32 owners of the real estate, give public notice of the proposal to sell the real estate and shall
33 ask for competitive bids and sell to the highest bidder with the right of rejecting all bids.
34 Sales of any such real estate may not be made by the State Tax Assessor except by
35 authorization of the Legislature using the sale process provided under section 943-C.

36 The supervision, administration, utilization and vindication of the right of the State in any
37 such real estate is vested in the State Tax Assessor until the title is conveyed or otherwise
38 disposed of by the Legislature.

39 **PART D**

40 **Sec. D-1. 36 MRSA §151-C, sub-§3**, as amended by PL 2025, c. 486, Pt. A, §1,
41 is further amended to read:

3. Annual report. Beginning in 2026 2027, the taxpayer advocate and experience officer shall prepare and submit by January 15th an annual report of activities and recommendations under subsection 2 of the taxpayer advocate and experience officer to the Governor, commissioner, the Associate Commissioner for Tax Policy, the assessor and the joint standing committee of the Legislature having jurisdiction over taxation matters.

Sec. D-2. 36 MRSA §507, sub-§1, as enacted by PL 2007, c. 432, §1 and affected by §2, is amended to read:

1. Reductions to tax. The property tax bill must contain a statement or calculation that demonstrates the amount or percentage by which the taxpayer's tax has been reduced by the distribution of state-municipal revenue sharing, state reimbursement for the Maine resident homestead property tax exemption and state aid for education. The State Tax Assessor shall annually provide each municipality with the amount of state municipal revenue sharing and state aid for education subject to identification under this section.

Sec. D-3. 36 MRSA §5122, sub-§2, ¶L, as amended by PL 2003, c. 705, §11 and affected by §14, is repealed.

Sec. D-4. 36 MRSA §5122, sub-§2, ¶QQ, as enacted by PL 2019, c. 348, §3, is amended to read:

QQ. For tax years beginning on or after January 1, 2020, to the extent included in federal adjusted gross income, any earnings on funds in an account established under a qualified ABLE program that complies with the requirements of the federal Achieving a Better Life Experience Act of 2014, Public Law 113-295.

Sec. D-5. Retroactivity. That section of this Part that amends the Maine Revised Statutes, Title 36, section 151-C, subsection 3 applies retroactively to January 1, 2026.

SUMMARY

This bill makes the following changes to the State's tax laws.

Part A:

1. Removes references to the expired Maine capital investment credit and makes other changes related to the removal of those references;
2. Aligns the pension deduction phase-out for married individuals filing separate returns with that of single individuals; and
3. Corrects a cross-reference to the law authorizing income tax due date extensions.

Part B:

1 Rem

orthotic devices under the Maine Revised Statutes, Title 36, section 1760, subsection 5-A that were made redundant by the recently enacted exemption of "durable medical equipment";

2. Repeals the sales tax exemption for sales of tangible personal property to be physically incorporated in and become a part of a portable classroom for lease to a school since this exemption is included in the exemption for property used in production, which includes sales to lessors of tangible personal property that becomes an ingredient or component part of property to be leased or rented out;

1 3. Clarifies the sales tax exemption for property used in production to correspond with
2 the recent inclusion of leases in the definition of "sale"; and

3 4. Clarifies that the tobacco products tax on smokeless tobacco applies to smokeless
4 tobacco products.

5 Part C:

6 1. Clarifies that the property tax year is from April 1st to March 31st instead of the
7 overlapping April 1st to April 1st;

8 2. Clarifies the procedure for documenting that a seller of real property has paid the
9 seller's pro rata share of taxes owed on property that is still the subject of a lien reflecting
10 taxes due from someone else;

11 3. Changes cross-references as they pertain to a lien upon real estate;

12 4. Repeals, for property acquired by a municipality for delinquent taxes, the law
13 regarding an excess funds process that a municipality is permitted to implement by
14 ordinance. That process was rendered obsolete by the enactment of the Maine Revised
15 Statutes, Title 36, section 943-C;

16 5. Corrects a clerical error;

17 6. Ensures that any sales of real estate upon which a tax lien mortgage has been
18 foreclosed, other than sales to the former owner of the real estate, are made in compliance
19 with the requirements of the United States Supreme Court's decision in *Tyler v. Hennepin*
20 County (598 U.S. 631);

21 7. Makes a grammatical correction by replacing the term "sum" with "product";

22 8. Clarifies that property held in a revocable living trust meets the fee simple estate
23 ownership requirement for the homestead property tax deferral program; and

24 9. Aligns the homestead property tax deferral program's foreclosure process with the
25 general property tax provisions regarding the sale of foreclosed property.

26 Part D:

27 1. Changes the taxpayer advocate and experience officer's annual reporting
28 requirement start date from January 15, 2026 to January 15, 2027 and applies that change
29 retroactively to January 1, 2026;

30 2. Removes the requirement that the State Tax Assessor annually provide each
31 municipality with the amount of state-municipal revenue sharing and state aid for
32 education. The Department of Education and the Office of the Treasurer of State maintain
33 and provide this information on their respective websites;

34 3. Clarifies the repeal of the law regarding the income subtraction modification for
35 long-term care insurance premiums made in Public Law 2015, chapter 267; and

36 4. Clarifies that the subtraction modification for any earnings on funds in an account
37 established under a qualified ABLE program applies only to the extent the amount is
38 included in federal adjusted gross income.