

**ENACTED TAX LEGISLATION – 2016 SESSION**  
**General (non-emergency) effective date: July 29, 2016**

**(Includes legislation enacted in prior sessions that become effective beginning in 2016)**

**1) Administrative Provisions**

**Disclosure.** The Department of Administrative and Financial Services, Bureau of Revenue Services is authorized to share information with the Department of Professional and Financial Regulation, Bureau of Insurance as necessary to determine the qualification of long-term or short-term disability income protection plans for the income tax credit for disability income protection plans in the workplace. 36 M.R.S. § 191(2)(BBB); LD 1542, PL 2015, c. 490, § 4.

**Tax expenditure review.** In 2014, the Office of Program Evaluation and Government Accountability (“OPEGA”) was charged with developing a proposal for a process for ongoing review of tax expenditures by the Legislature. Based on that proposal, the Legislature has enacted a review process set to start in 2016. According to the process, OPEGA will provide the Legislature with tax expenditure evaluations on a yearly basis, including stakeholder input, advising whether each expenditure is meeting its original purpose. The Legislature must review the expenditures and determine whether the purpose, intent and goals are being achieved, and whether each expenditure is targeting the intended beneficiaries. Legislation may be proposed to address any issues identified by the review. LD 941, PL 2015, c. 344.

**2) General**

**Conformity.** References to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 are updated to refer to the United States Internal Revenue Code of 1986 as amended through December 31, 2015. Changes regarding Maine tax treatment of federal bonus depreciation, and the extension of the Maine capital investment credit for taxable years beginning in 2015, are summarized in the income tax changes section below. The changes apply to tax years beginning on or after January 1, 2015, and for any prior tax year as specifically provided by the United States Internal Revenue Code of 1986 as amended. 36 M.R.S. § 111(1-A); LD 1583, PL 2015, c. 388, Pt. A, § 1.

**3) Individual Income Tax**

**Changes applicable to tax years beginning in 2015**

**Bonus depreciation.** For tax years beginning on or after January 1, 2015, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is

extended, with some modifications, to tax year 2015. For tax years beginning on or after January 1, 2016, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5122(1)(KK) & 5122(2)(OO); LD 1583, PL 2015, c. 388, Pt. A, §§ 5 & 8.

**Maine capital investment credit.** The Maine capital investment credit is extended to tax years beginning in 2015. The credit is equal to 8% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-NN; LD 1583, PL 2015, c. 388, Pt. A, § 15.

**Educational opportunity tax credit.** The credit is changed to clarify that refinanced and consolidated loans eligible for the credit are limited to those loans that consist exclusively of educational loans. Refinanced and consolidated loans that include debt other than educational loans are ineligible for the credit. Applies to tax years beginning on or after January 1, 2015. Previously, refinanced and consolidated educational loans were not eligible for the credit. 36 M.R.S. § 5217-D(2)(B); LD 1657, PL 2015, c. 482, § 4.

### **Changes applicable to tax years beginning in 2016**

**Direct deposit refunds to NextGen Account.** The provision of law requiring Maine Revenue Services to provide for the assignment of income tax refunds on income tax returns to the Maine College Savings Program administered by the Finance Authority of Maine is repealed. Applies to tax years beginning on or after January 1, 2016. 20-A M.R.S. § 11475(2); LD 1019, PL 2015, c. 267, Pt. DD § 1.

**Sales tax on casual rentals of living quarters.** In certain circumstances, the tax on casual rentals of living quarters may be reported on the individual income tax return. The sales tax rate on casual rentals of living quarters increases to 9% beginning January 1, 2016. 36 M.R.S. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

**Tax rate schedules for tax years beginning in 2016.** For tax years beginning in 2016, the 0%, 6.5% and 7.95% tax rate brackets are replaced with 5.8%, 6.75% and 7.15% tax rate brackets. The rate brackets for single filers is increased by 1.5 for head of household filers and by 2 for married taxpayers filing joint returns and surviving spouses. 36 M.R.S. § 5111; LD 1019, PL 2015, c. 267, Pt. DD §§ 2 through 7.

**Qualified tuition and related expenses addition modification.** For tax years beginning on or after January 1, 2016, the income addition modification for qualified tuition and related expenses is repealed. 36 M.R.S. § 5122(1)(Q); LD 1583, PL 2015, c. 388, Pt. A, § 2.

**Standard deduction amount.** For tax years beginning in 2016, the Maine standard deduction amount is equal to \$11,600 for individuals filing single and married persons filing separate returns; \$17,400 for unmarried or legally separated individuals filing as heads of household; and \$23,200 for married persons filing joint returns or surviving spouses. The additional standard

deduction amount for age/blindness is equal to the additional federal standard deduction amount for age/blindness.

For tax years beginning after 2016, the single standard deduction amount will be adjusted for inflation. The standard deduction amount for unmarried or legally separated individuals filing as heads of household will be 1.5 times the single standard deduction and 2 times the single standard deduction for married taxpayers filing joint returns or surviving spouses. 36 M.R.S. §§ 5124-B and 5403(2); LD 1019, PL 2015, c. 267, Pt. DD, §§ 14 and 33.

**Standard/itemized deduction phaseout.** For tax years beginning on or after January 1, 2016, the law is changed to phase out the value of the standard deduction or itemized deduction, whichever applies, for taxpayers whose Maine adjusted gross income exceeds \$70,000 for single individuals and married persons filing separate returns, \$105,000 for individuals filing as heads of households, and \$140,000 for individuals filing married joint returns or as a surviving spouse. The deduction amount is fully phased out for taxpayers whose Maine adjusted gross income is more than \$145,000 for single individuals and married persons filing separate returns, \$217,500 for individuals filing as heads of household, and \$290,000 for individuals filing joint returns or as a surviving spouse. For tax years beginning in 2018 and each year thereafter, the \$70,000, \$105,000 and \$140,000 amounts will be adjusted for inflation. 36 M.R.S. §§ 5122(1)(JJ) and 5403(4); LD 1019, PL 2015, c. 267, Pt. DD, §§ 8 and 33.

**Military pension income deduction.** For tax years beginning on or after January 1, 2016, benefits received under a military retirement plan, including survivor benefits, are fully exempt from Maine income tax. 36 M.R.S. § 5122(2)(M-2); LD 1019, PL 2015, c. 267, Pt. DD, § 10.

**Subtraction for long-term care premiums.** For tax years beginning on or after January 1, 2016, the income subtraction modification for long-term care premiums paid is repealed. 36 M.R.S. § 5122(2)(T); LD 1019, PL 2015, c. 267, Pt. DD, § 11.

**Subtraction for contributions to 529 Plans.** For tax years beginning on or after January 1, 2016, the income subtraction modification for contributions of up to \$250 per beneficiary to 529 college tuition plans is repealed. 36 M.R.S. § 5122(2)(Y); LD 1019, PL 2015, c. 267, Pt. DD, § 12.

**Sales tax fairness income tax credit.** For tax years beginning on or after January 1, 2016, low and middle income residents are allowed a refundable sales tax fairness credit. The credit may be claimed on Maine individual income tax returns. Income for purposes of the credit is equal to federal total income as reported on the individual's federal income tax return increased by nontaxable social security and railroad retirement benefits, tax exempt interest and certain business and capital losses. The amount of the base credit is \$100 to \$180, depending on the number of exemptions claimed on the taxpayer's return. The credit is phased out for taxpayers whose income exceeds \$20,000 for taxpayers filing single, \$30,000 for taxpayers filing as heads of household and \$40,000 for taxpayers filing married joint returns. The phaseout income thresholds are adjusted for inflation for tax years beginning after 2016. The credit does not apply to married individuals filing separate returns, individuals who are "safe-harbor" residents treated

as nonresident individuals because they reside outside Maine for significant periods of time and individuals who are incarcerated and have no family members living in Maine. 36 M.R.S. §§ 5213-A and 5403(5); LD 1019, PL 2015, c.267, Pt. DD, §§ 19 and 33; LD 1452, PL 2015, c. 328, § 4.

**Jobs and investment tax credit.** For tax years beginning on or after January 1, 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD 1019, PL 2015, c. 267, Pt. DD § 20.

**Family development account credit.** For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 17, 21 and 27.

**Credit for employer-assisted day care.** For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

**Credit for employer-provided long-term care benefits.** For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

**Educational opportunity tax credit.** For tax years beginning on or after January 1, 2016, the Maine educational opportunity tax credit is expanded as follows:

- Extends the credit to qualified individuals who obtain an associate's degree or bachelor's degree after 2015 from a non-Maine community college, college or university,
- Extends the credit to graduate degrees obtained from a Maine college or university after 2015;
- Removes the requirement that a qualified individual maintain Maine residency while attending school;
- Makes the credit refundable for all associate degrees;
- Allows residents of Maine who are employed at least part time in a position on a vessel at sea to be eligible for the tax credit as long as all other program qualifications are met;
- Allows a qualified individual who earned a bachelor's or associate degree from an accredited Maine community college, college or university after December 31, 2007 but before January 1, 2016 to be eligible for the educational opportunity tax credit regardless of the number of transfer credits earned at a non-Maine community college, college or university; and
- Extends the credit available to employers to graduate degrees earned by qualified employees and by removing the principal cap (tax credit limitation) relative to qualified employees. 36 M.R.S. 5217-D.

36 M.R.S. § 5217-D; LD 1019, PL 2015, c. 267, Pt. QQQ; LD 1452, PL 2015, c. 328, §§ 5, 6 and 7; and LD 1657, PL 2015, c. 482.

**Child and dependent care credit.** For tax years beginning on or after January 1, 2016, the credit for child and dependent care expenses is no longer refundable for nonresident taxpayers. 36 M.R.S. § 5218(4); LD 1019, PL 2015, c. 267, Pt. DD, § 24.

**Adult dependent care credit.** For tax years beginning on or after January 1, 2016, eligible taxpayers are allowed to claim a tax credit equal to 25% of the applicable percentage of adult dependent care expenses paid for adult day care, hospice services and respite care during the taxable year to the extent the expenses are not used to calculate the federal child and dependent care credit. The dependent care expenses that may be used to calculate the credit are limited to \$3,000 for one qualifying individual or \$6,000 for two or more qualifying individuals and the applicable percentage is the percentage used to calculate the federal child and dependent care credit. The credit for nonresidents is limited to the taxpayer's ratio of Maine source income to federal adjusted gross income. For part-year residents, the credit is prorated based on the ratio of the taxpayer's Maine income (Maine adjusted gross income during the period of Maine residency plus Maine source income during the period of nonresidency) to federal adjusted gross income. The credit is refundable up to \$500. 36 M.R.S. § 5218-A; LD 787, PL 2015, c. 340.

**Credit for the elderly or disabled.** For tax years beginning on or after January 1, 2016, the retirement and disability credit is repealed. 36 M.R.S. § 5219-A; LD 1019, PL 2015, c. 267, Pt. DD, § 25.

**Forest management planning credit.** For tax years beginning on or after January 1, 2016, the forest management planning income tax credit is repealed. 36 M.R.S. § 5219-C; LD 1019, PL 2015, c. 267, Pt. DD, § 26.

**High-technology investment tax credit.** For tax years beginning on or after January 1, 2016, the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

**Credit for dependent health benefits.** For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

**Quality child care investment credit.** For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

**Earned income tax credit.** For tax years beginning on or after January 1, 2016, the earned income tax credit is refundable for Maine residents. The refundable credit is prorated for part-

year residents. 36 M.R.S. § 5219-S(4); LD 1019, PL 2015, c. 267, Pt. DD, § 31; LD 1452, PL 2015, c. 328, § 8.

**Credit for biofuel commercial production.** For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

**Maine capital investment credit.** The individual income tax Maine capital investment credit for tax years beginning on or after January 1, 2016 is equal to 7% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-NN; LD 1583, PL 2015, c. 388, Pt. A, § 15.

### **Changes applicable to tax years beginning in 2017**

**Tax rate schedules for tax years beginning on or after January 1, 2017.** For tax years beginning on or after January 1, 2017, the top tax bracket threshold is increased from \$37,500 to \$50,000 for single individuals and married persons filing separate returns; from \$56,250 to \$75,000 for unmarried individuals or legally separated individuals who qualify as heads of household; and, from \$75,000 to \$100,000 for married taxpayers filing joint returns and surviving spouses.

For tax years beginning after 2016, the lowest dollar amount of each tax rate schedule will be adjusted for inflation. For tax years beginning on or after January 1, 2018, the highest dollar amount of each tax rate schedule will be adjusted for inflation.

36 M.R.S. § 5111, sub-§§ 1-F, 2-F and 3-F and § 5403(1); LD 1019, PL 2015, c. 267, Pt. DD, §§ 3, 5, 7 and 33.

**Sales tax fairness credit.** For tax years beginning on or after January 1, 2017, the amount of the base credit is increased to a range of \$125 to \$225, depending on the number of exemptions claimed on the taxpayer's return. The base credit amounts will be adjusted for inflation for tax years beginning after 2017. 36 M.R.S. §§ 5213-A and 5403(5); LD 1019, PL 2015, c.267, Pt. DD, §§ 19 and 33; LD 1452, PL 2015, c. 328, § 4.

**Credit for certain homestead modifications.** For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for taxpayers whose federal adjusted gross income is not more than \$55,000. The credit is equal to the lesser of \$9,000 or the applicable percentage (up to 100%) of qualified expenses incurred for certain home modifications to make a homestead accessible to an individual with a disability or physical hardship. Qualified expenditures must be certified by the Maine State Housing Authority. The credit is limited to the tax liability of the taxpayer and the total credits allowed for all taxpayers is limited to an annual aggregate of

\$1,000,000 per calendar year. Carryforward provisions apply. 36 M.R.S. § 5219-NN; LD 365, PL 2015, c. 503.

**Credit for disability income protection plans in the workplace.** For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for employers providing either a qualified short-term disability income protection plan or a qualified long-term disability income protection plan. The credit is equal to \$30 per employee enrolled in a plan after January 1, 2017 who was not covered under a disability income protection plan offered by the employer in the tax year immediately preceding the year in which the credit is first available. The credit must be taken in the first year the employer becomes eligible to claim the credit and may be claimed for up to 3 consecutive tax years. The credit is limited to the tax liability of the taxpayer and any unused credit may not be carried back or forward to any other tax year. Expenditures used to calculate the credit that are also used as an expense in calculating federal adjusted gross income must be added back to income through a Maine addition modification. 36 M.R.S. §§ 5122(1)(KK) & 5219-NN; LD 1542, PL 2015, c. 490, §§ 7 & 8.

#### **4) Fiduciary Income Tax**

##### **Changes applicable to tax years beginning in 2015**

**Bonus depreciation.** For tax years beginning on or after January 1, 2015, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is extended, with some modifications, to tax year 2015. In tax years after 2015, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5122(1)(KK) & 5122(2)(OO); LD 1583, PL 2015, c. 388, Pt. A, §§ 5 & 8.

**Maine capital investment credit.** The Maine capital investment credit is extended to tax years beginning in 2015. The credit is equal to 8% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-NN; LD 1583, PL 2015, c. 388, Pt. A, § 15.

##### **Changes applicable to tax years beginning in 2016**

**Tax rate schedules for tax years beginning in 2016.** For tax years beginning in 2016, the 0%, 6.5% and 7.95% tax rate brackets are replaced with 5.8%, 6.75% and 7.15% tax rate brackets. 36 M.R.S. § 5111; LD 1019, PL 2015, c. 267, Pt. DD, § 3.

**Jobs and investment tax credit.** For tax years beginning on or after January 1, 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD

1019, PL 2015, c. 267, Pt. DD § 20.

**Family development account credit.** For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 17, 21 and 27.

**Credit for employer-assisted day care.** For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

**Credit for employer-provided long-term care benefits.** For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

**Forest management planning credit.** For tax years beginning on or after January 1, 2016, the forest management planning income tax credit is repealed. 36 M.R.S. § 5219-C; LD 1019, PL 2015, c. 267, Pt. DD, § 26.

**High-technology investment tax credit.** For tax years beginning on or after January 1, 2016, the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

**Credit for dependent health benefits.** For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

**Quality child care investment credit.** For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

**Credit for biofuel commercial production.** For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

**Maine capital investment credit.** The fiduciary income tax Maine capital investment credit for tax years beginning on or after January 1, 2016 is equal to 7% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is

prohibited with respect to certain property. 36 M.R.S. § 5219-NN; LD 1583, PL 2015, c. 388, Pt. A, § 15.

### **Changes applicable to tax years beginning in 2017**

**Tax rate schedules for tax years beginning on or after January 1, 2017.** For tax years beginning on or after January 1, 2017, the top tax bracket threshold is increased from \$37,500 to \$50,000 for single individuals.

For tax years beginning after 2016, the lowest dollar amount of the tax rate schedule will be adjusted for inflation. For tax years beginning on or after January 1, 2018, the highest dollar amount of the tax rate schedule will be adjusted for inflation.

36 M.R.S. § 5111, sub-§§ 1-F, 2-F and 3-F and § 5403(1); LD 1019, PL 2015, c. 267, Pt DD, §§ 3, 5, 7 and 33.

**Credit for disability income protection plans in the workplace.** For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for employers providing either a qualified short-term disability income protection plan or a qualified long-term disability income protection plan. The credit is equal to \$30 per employee enrolled in a plan after January 1, 2017 who was not covered under a disability income protection plan offered by the employer in the tax year immediately preceding the year in which the credit is first available. The credit must be taken in the first year the employer becomes eligible to claim the credit and may be claimed for up to 3 consecutive tax years. The credit is limited to the tax liability of the taxpayer and any unused credit may not be carried back or forward to any other tax year. Expenditures used to calculate the credit that are also used as an expense in calculating federal adjusted gross income must be added back to income through a Maine addition modification. 36 M.R.S. §§ 5122(1)(KK) & 5219-NN; LD 1542, PL 2015, c. 490, §§ 7 & 8.

## **5) Corporate Income Tax**

### **Changes applicable to tax years beginning in 2015**

**Bonus depreciation.** For tax years beginning on or after January 1, 2015, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is extended, with some modifications, to tax year 2015. For tax years beginning on or after January 1, 2016, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5200-A(1)(CC) & 5200-A(2)(AA); LD 1583, PL 2015, c. 388, §§ 11 & 14.

**Maine Capital Investment Credit.** The Maine capital investment credit is extended to tax years beginning on or after January 1, 2015. The credit is equal to 9% of the bonus depreciation

addition modification required under 36 M.R.S. § 5200-A(1)(CC)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-NN; LD 1583, PL 2015, c. 388, § 15.

### **Changes applicable to tax years beginning in 2016**

**C Corporation return due date.** Because current Maine tax law conforms to recent changes in the federal due dates for filing corporate income tax returns, the annual due date for filing a Maine corporate income tax return for tax years beginning after December 31, 2015 is the 15<sup>th</sup> day of the fourth month following the end of the tax year (April 15<sup>th</sup> for returns filed on a calendar year basis). However, the due date for a return filed by a C corporation with a fiscal year ending June 30<sup>th</sup> continues to be September 15<sup>th</sup> for tax years beginning before January 1, 2026. The extension due date for filing a Maine corporate income tax return is generally the extension due date granted by the Internal Revenue Service (IRS) for filing the related federal return, plus 30 days. For example, for a Maine corporate return filed on a calendar year basis for which a 6-month extension has been granted by the IRS through October 15<sup>th</sup>, the Maine extension due date is November 14<sup>th</sup>. 36 M.R.S. §§ 111(1-A) & 5231; LD 1583, PL 2015, c. 388, Pt. A, § 1. IRC §§ 6072 & 6081; HR 3236, PL 114-41, § 2006

**Jobs and investment tax credit.** For tax years beginning on or after 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD 1019, PL 2015, c. 267, Pt. DD, § 20.

**Family development account credit.** For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(D), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 21 and 27.

**Credit for employer-assisted day care.** For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

**Credit for employer-provided long-term care benefits.** For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

**Educational opportunity tax credit.** For tax years beginning on or after January 1, 2016, the Maine educational opportunity tax credit available to employers is expanded to include graduate degrees earned by qualified employees and by removing the principal cap (tax credit limitation) relative to qualified employees. 36 M.R.S. § 5217-D; LD 1657, PL 2015, c. 482.

**High-technology investment tax credit.** For tax years beginning on or after January 1, 2016, the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

**Credit for dependent health benefits.** For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

**Quality child care investment credit.** For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5)); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

**Credit for biofuel commercial production.** For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

### **Changes applicable to tax years beginning in 2017**

**Credit for disability income protection plans in the workplace.** For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for employers providing either a qualified short-term disability income protection plan or a qualified long-term disability income protection plan. The credit is equal to \$30 per employee enrolled in a plan after January 1, 2017 who was not covered under a disability income protection plan offered by the employer in the tax year immediately preceding the year in which the credit is first available. The credit must be taken in the first year the employer becomes eligible to claim the credit and may be claimed for up to 3 consecutive tax years. The credit is limited to the tax liability of the taxpayer and any unused credit may not be carried back or forward to any other tax year. 5219-NN; LD 1542, PL 2015, c. 490, §§ 7 & 8.

### **6) Insurance Premiums Tax**

**Credit for employer-assisted day care.** For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 2524(5); LD 1551, PL 2015, c. 390, § 6.

**Credit for employer-provided long-term care benefits.** For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 2525-A(4); LD 1551, PL 2015, c. 390, § 7.

## 7) Estate Tax

**Maine exclusion amount.** For estates of decedent's dying on or after January 1, 2016, the Maine exclusion amount is indexed to the federal exclusion amount. The federal amount is calculated in accordance with the Code, Section 2010(c)(3). 36 M.R.S. § 4102(5); LD 1019, PL 2015, c. 267, Part I, § 1.

**Imposition of tax.** For estates of decedent's dying on or after January 1, 2016, the tax rate schedule is amended so as to apply to the taxable estate in excess of the applicable federal exclusion amount. 36 M.R.S. § 4103(1); LD 1019, PL 2015, c. 267, Part I, § 2.

## 8) Sales/Use Tax

**Fuel purchased for use in agriculture, fishing, etc.** The law is amended to provide that fuel purchased for use in commercial agricultural or aquacultural production, commercial fishing, or commercial wood harvesting is eligible for refund; and that such purchases may be made free of tax if the purchaser has obtained an exemption certificate from the State Tax Assessor. Effective for sales made on or after January 1, 2017. 36 M.R.S. §2013(2) & (3); LD 1606, PL 2015, c. 481, Pt. B.

**Exemption for prosthetic and orthotic devices.** Effective October 1, 2016, the existing exemption for "prosthetic devices" is amended to apply to sales of prosthetic or orthotic devices sold by prescription; and the terms "prosthetic or orthotic device" and "prescription" are defined. 36 M.R.S. §§1760(5-A); 1752(8-D) & (9-F); LD 1000, PL 2015, c. 495.

**Exemption for nonprofit health centers.** Effective August 1, 2016, the existing exemption for incorporated nonprofit rural community health centers is expanded to include incorporated nonprofit federally qualified health centers that are qualified to receive funding under Section 330 of the federal Public Health Service Act, 42 United States Code, Section 254b and so-called federally qualified health center "look-alikes" that meet the requirements of Section 254b. 36 M.R.S. §1760(16-F); LD 1521, PL 2015, c. 510, §1.

**New exemption for certain veterans' service organizations.** An exemption is enacted for sales to an organization that provides services to veterans and their families that is chartered under 36 U.S.C., Subtitle II, Part B and that is recognized as a veterans' service organization by the U.S. Department of Veterans Affairs. Effective for sales made on or after August 1, 2016. 36 M.R.S. §1760(100); LD 1612, PL 2015, c. 465, Part C.

**Definition of retail sale.** The definition of "retail sale" is amended to clarify that the sale, to a person engaged in the business of providing satellite radio services, of associated equipment for rental or lease to subscribers, is not subject to sales tax. 36 M.R.S. §1752(11)(B)(6); LD 1551, PL 2015, c. 390, §5.

## 9) Service Provider Tax

**Exemption for nonprofit health centers.** Effective August 1, 2016, the existing exemption for incorporated nonprofit rural community health centers is expanded to include incorporated nonprofit federally qualified health centers that are qualified to receive funding under Section 330 of the federal Public Health Service Act, 42 United States Code, Section 254b and so-called federally qualified health center “look-alikes” that meet the requirements of Section 254b. 36 M.R.S. §2557(3-F); LD 1521, PL 2015, c. 510, §2.

## 10) Fuel Tax

**International Fuel Tax Agreement.** The definition of “IFTA governing documents” is updated to include the IFTA Procedures Manual as amended as of July 15, 2015. 36 M.R.S. §3202(2-C); LD 1483, PL 2015, c. 473, §20.

## 11) Property Tax

**Conveyance of state interest in certain real estate in the unorganized territory.** This Resolve authorizes the State Tax Assessor to sell certain tax-acquired parcels located in the unorganized territory. Effective July 29, 2016. LD 1457, Resolves, 2015, c. 59.

**Homestead exemption.** The law has been amended to simplify municipal reporting requirements and to create an easier method for calculating the homestead exemption reimbursement to municipalities. Applies to property tax years beginning on or after April 1, 2017. 36 M.R.S §§ 683, 385; LD 1551, PL 2015, c. 390.

**Municipal deorganization.** The Legislature has approved Oxbow Plantation’s request to proceed with the deorganization of the municipality. Once the process is completed, Oxbow will become part of the unorganized territory, which is administered by the state. Effective July 29, 2016. LD 1635, P&SL 2015, c. 17.

**Education funding.** The law adjusts the calculation of property fiscal capacity for municipalities that experience a reduction in value of more than 4.5% from the previous year, due to a single taxpayer. The adjustment increases state aid for those municipalities to help offset the sudden loss of value. The adjustment applies only to the 2016-2017 fiscal year. Effective July 29, 2016. LD 1699, PL 2015, c. 487.