STATE OF MAINE
REVENUE FORECASTING COMMITTEE

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November 26, 2025

TO: Governor Janet T. Mills
Members, 132nd Legislature

FROM: Amanda Rector, Chair
Revenue Forecasting Committee

RE: Revenue Forecasting Committee December 1, 2025, Report

The Revenue Forecasting Committee (RFC) has concluded its update of the revenue forecast to comply with its statutory reporting date of December 1, 2025, to incorporate the new economic forecast released by the Consensus Economic Forecasting Commission (CEFC) on November 1, 2025, and to provide a forecast that reflects revenue performance through the first 4 months of FY26 and preliminary revenues for November 2025. Tables showing the changes made to all the funds forecasted by the committee and a detailed presentation that includes the key assumptions made in developing the forecast have been posted to the RFC's web page and are available here. A more complete report will be available next week.

General Fund Summary

	FY25	FY26	FY27	FY28	FY29
Current Forecast	$5,722,405,843	$5,611,036,123	$5,771,889,565	$5,962,823,070	$6,122,224,602
Annual % Growth	6.9%	-1.9%	2.9%	3.3%	2.7%
Net Increase (Decrease)	$0	$165,016,724	$83,348,903	$77,163,594	$90,501,696
Revised Forecast	$5,722,405,843	$5,776,052,847	$5,855,238,468	$6,039,986,664	$6,212,726,298
Annual % Growth	6.9%	0.9%	1.4%	3.2%	2.9%

In its December 2025 update, the RFC revised General Fund revenue estimates upward by $165.0 million for FY26 and by $83.3 million for FY27 for a total increase of $248.4 million (2.2%) for the 2026-2027 biennium. The resulting forecasted rate of year-over-year change in General Fund revenue is now 0.9% for FY26 and 1.4% for FY27. The December 2025 forecast also increased projections for FY28 by $77.2 million and for FY29 by $90.5 million. The forecasted rate of year-over-year growth is now 3.2% for FY28 and 2.9% for FY29. The major changes to General Fund revenue during the forecast period are summarized below.

Individual Income Tax Revenue estimates are revised upward by $105.0 million for FY26, $53.0 million for FY27, $50.0 million for FY28 and $64.0 million for FY29. The primary source of the upward reprojection is updated information on tax year 2024 and incoming information on the strength of tax year 2025. The growth in tax year 2024 liability before refundable credits is now estimated to be 7.6%, and based on receipts through October, tax year 2025 liability before refundable credits is estimated to be

7.0%. While changes to the economic forecast, particularly wages, dividends, taxable interest, and inflation, have a positive impact on the revenue forecast, capital gains associated with the resurgent stock market during 2025 are the primary driver of the upward revision to FY26 revenue. When the RFC met in late April to prepare its May 1st revenue forecast the stock market (S&P 500) was down 12% and based on that roughly 4-month performance the RFC assumed tax year 2025 capital gains realizations by Maine resident tax filers would decrease 18.6%. Since the May 1st forecast the S&P has increased by approximately 1,450 points and is now up 12% for calendar year 2025. As a result, the December 1st forecast assumes tax year 2025 capital gains realizations by Maine resident filers will increase 16% translating into an increase in tax year 2025 resident liability of $71 million. The RFC continues to assume that capital gains realizations as a percentage of Maine personal income will revert to its long-run average of 3.5% over the forecasting period, but with a higher forecasted base in tax year 2025 resident tax liability from capital gains realizations will be $36 million higher in tax year 2026 and $15-$20 million higher in tax years 2027-29.

Corporate Income Tax Revenue estimates are revised downward by -$4.0 million for FY26, -$10.6 million for FY27, -$11.4 million for FY28 and -$13.7 million for FY29. Since the start of FY26, corporate payments have been consistently under budget. Through October, corporate payments were under budget by $4.8 million and are 16.5% below the same period of FY25. Corporations continue to adjust their payments to the state reflecting the overpayments they have made over previous years. In addition, new and expanded tax credits and a less optimistic CEFC forecast of pre-tax corporate profits in tax year 2024 are resulting in reduced corporate receipts over the forecast period.

Sales and Use Tax and Service Provider Tax (SPT) estimates are revised upward by $34.3 million for FY26, $32.2 million for FY27, $22.6 million for FY28 and $29.0 million for FY29. The SPT is repealed effective January 1, 2026, and services currently taxed at 6% under the SPT will then be taxed under sales tax at 5.5%. Approximately $0.5 million of the FY26 adjustment is from the SPT base taxed at 6% and post-January 1, 2026, adjustments to the forecast associated with the SPT base are incorporated in the Sales and Use Tax forecast.

The shift of SPT services to the sales tax, the taxation of rental payments effective January 2025 and the taxation of digital streaming effective January 2026 all make Sales Tax revenue less dependent on goods spending. Still, a higher proportion of goods are subject to sales tax than services, so a shift towards services spending tends to slow sales tax growth. Moody's October Personal Consumption Expenditure forecast still has services spending growing faster than goods spending, but the gap between the two is narrowed relative to their March forecast. Other things equal, this tends to increase sales tax revenue.

In the new CEFC forecast, higher growth in personal income in 2025 followed by similar growth in 2026-29 gives higher spending in every year. Higher personal saving rates, particularly in 2027-29, partially offset the impact of higher income in the later years, yielding a narrowing gap between the November and April forecasts of personal spending. Combined with the changes to the PCE composition forecast, this gives positive revisions to the Sales & Use Tax forecast every year.

The relatively high growth rates in FY26 and FY27 are due largely to the previously mentioned legislative changes as well as the upcoming increase in the adult use cannabis sales tax rate in January 2026. Because of all the legislative changes taking effect in January, there is more than the normal degree of uncertainty in this forecast.

Estate Tax estimates are revised upward by $19.0 million for FY26, $2.4 million for FY27, $5.4 million for FY28 and $6.5 million for FY29. Estate tax receipts were over budget through October by $14.1 million, primarily from September receipts being over budget by $8.8 million. An increase in the forecast of household net worth and a lower inflation forecast by the CEFC are the sources of the annual increase in estate tax receipts.

Highway Fund Summary

	FY25	FY26	FY27	FY28	FY29
Current Forecast	$529,012,763	$503,640,544	$504,931,199	$504,609,512	$505,029,648
Annual % Growth	3.6%	-4.8%	0.3%	-0.1%	0.1%
Net Increase (Decrease)	$0	$2,825,791	$82,747	$2,422,493	$2,803,999
Revised Forecast	$529,012,763	$506,466,335	$505,013,946	$507,032,005	$507,833,647
Annual % Growth	3.6%	-4.3%	-0.3%	0.4%	0.2%

In its December 2025 update, the RFC revised its Highway Fund revenue estimates upward by $2.8 million for FY26 and by $0.1 million for FY27. The resulting forecasted rate of year-over-year change in Highway Fund revenue is now -4.3% for FY26 and -$0.3 million for FY27. The December 2025 forecast also increased projections for FY28 by $2.4 million and for FY29 by $2.8 million. The forecasted rate of year-over-year growth is now 0.4% for FY28 and 0.2% for FY29. The Highway Fund revenue forecast changes are the result of decreases in forecasted overall motor fuels revenue offset by forecasted increases in motor vehicle registration and fees and increased estimated income from investments. Automotive sales tax transfers from the General Fund are estimated to decrease in FY26 and FY27 but are estimated to increase in FY28 and FY29.

In its November 2025 report the CEFC emphasized the ongoing elevated uncertainty in the current economic forecast. In particular, the CEFC highlighted rapidly changing tariff policies and a period of significant federal fiscal austerity exacerbated by the recent federal government shutdown. Additionally, the CEFC noted that current economic growth may be driven more by wealthier households, leading to a K-shaped economy. The RFC continued the discussion of heightened uncertainty, especially as it relates to the frequent changes in tariff policy and the effects on consumer and business sentiment, both of which are substantially lower than they were at the beginning of 2025. The CEFC made few changes to the key economic variables used by the RFC in their revenue forecast, in part due to the high degree of uncertainty in the economic forecast. Both the CEFC and RFC will continue to monitor changes in economic conditions over the coming months in preparation for their required February 2026 and March 2026 reports.

cc: Members, Revenue Forecasting Committee
Members, Consensus Economic Forecasting Commission
Jeremy Kennedy, Chief of Staff, Governor's Office
Elaine Clark, Acting Commissioner, DAFS
Clerk of the House
Secretary of the Senate
Suzanne Gresser, Executive Director, Legislative Council