

# PROVISIONS IN THE SUPPLEMENTAL BUDGET

1/26/21

jsj/OFPR

## TAXATION COMMITTEE

## 1/26/21 DISCUSSION

		Budget proposal	MRS estimated revenue impact	Change package	Recommendation
<b>PART A</b>					
<b>Maine Board of Tax Appeals</b> p. A-4	Reduces funding to align with projected expenses	FY 22 (\$20,000)			Tentative unanimous vote to approve 1/26/21
<b>Mandate reimbursement BETE</b> p. A-4	Reduces funding to align with projected expenses	FY 22 (\$1,910)			Tentative unanimous vote to approve 1/26/21
<b>Revenue Services, Bureau of</b> p. A-5	Reduces funding to align with projected expenses				Tentative unanimous vote to approve 1/26/21
	Contracted consulting services	FY 22 (\$600,200)			Tentative unanimous vote to approve 1/26/21
	Contracted services	FY 22 (\$471,206)			Tentative unanimous vote to approve 1/26/21
	Contracted services temporary staff	FY 22 (\$197,266)			Tentative unanimous vote to approve 1/26/21
	Debt retirement	FY 22 (\$379,800)			Tentative unanimous vote to approve 1/26/21
<b>Snow grooming PTE reimbursement</b> P. a-5	50% reimbursement for property tax exemption	FY 22 (\$3,000)			Tentative unanimous vote to approve 1/26/21
<b>Waste facility PTE reimbursement</b> 9. A-6	50% reimbursement for property tax exemption for animal waste storage facilities	FY 22 (\$1,219)			Tentative unanimous vote to approve 1/26/21

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<b>Revenue sharing p. A-83</b>	<p><b>CURRENT LAW:</b> Percentage of tax base from income tax, sales tax and portion of service provider tax transferred to Local Government for state-municipal revenue sharing: FY 21 3.75% FY 22 5% FY 23 5%</p> <p><u>State municipal revenue sharing (Rev1)</u> -- 80% of revenue sharing funding is distributed to municipalities based upon population and relative property tax burden (Rev 1)</p> <p><u>Disproportionate tax burden fund (Rev2)</u> -- 20% of revenue sharing funding is distributed to municipalities with a mill rate exceeding 10 mils based on population and the portion of their mil rate exceeding 10 mills.</p>	<p>Changes to allocations for FY 21 to bring them into line with projected available revenue</p> <p>(\$20, 190, 003)</p> <p>\$1,960,541</p>		<p>Changes requested to correct a calculation error in the original bill</p> <p>(\$10,891,763)</p> <p>\$4,285,101</p>	<p>Tabled for consideration of conformity issues 1/26/21</p>
<b>PART B INCOME TAX CONFORMITY</b>					
<b>Language p. 1</b>	<p><b>CURRENT LAW</b> Income Tax conformity is tied to the Internal Revenue Code as on 12/31/19</p>	<p>Changes date of conformity from 12/31/19 to 12/31/20.</p> <p>Applies retroactively to tax years beginning on or after 1/1/18.</p>	FY 22 (\$1,780,625)		<p>Tabled for consideration of conformity issues 1/26/21</p>

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<b>PART D CARES RELATED BUSINESS LOSSES</b>					
<b>Language p. 10</b>	CARES ACT	<u>Individual income tax</u> Requires 1. an addition modification for <u>federal excess business losses</u> allowed to noncorporate taxpayers pursuant to the CARES Act for tax years beginning 1/1/18 to 12/31/20; and 2. a subtraction modification for the carryover and subtraction of amounts added		Clarifies wording and corrects indentation  CP p. 1-2	Tabled for consideration of conformity issues 1/26/21
<b>PART E CARES RELATED BUSINESS INTEREST DEDUCTION</b>					
<b>Language p. 10-11</b>	CARES ACT	Requires 1. An addition modification for <u>federal business interest deduction</u> that exceeds 30% of adjusted taxable income pursuant to the CARES Act for tax years beginning 1/1/18 to 12/31/20; and 2. A subtraction modification for the carryover and subtraction of amounts added		Corrects indentation  CP p. 3-4	Tabled for consideration of conformity issues 1/26/21

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<b>PART F MAINE CAPITAL INVESTMENT CREDIT</b>					
Language p. 12		Excludes <u>qualified improvement property</u> <sup>i</sup> placed in service in 2018 and 2019 from the Maine Capital Investment Credit to avoid retroactive inclusion Conforms FY20 forward		Corrects indentation and formatting  CP p. 6-7	Tabled for consideration of conformity issues 1/26/21
<b>PART G CARES RELATED CHARITABLE DEDUCTION</b>					
Language p. 12-13	CARES ACT	2019 TYs only 1. Addition modification for the <u>additional charitable contribution deduction allowed to corporations</u> under CARES; and 2. Subtraction modification for the carryover and subtraction of this amount in future years		Corrects indentation  CP p.8-9	Tabled for consideration of conformity issues 1/26/21
<b>PART H CARES RELATED NET OPERATING LOSS LIMITATION</b>					
Language p. 13	CARES ACT	Updates and simplifies income tax by conforming to the federal <u>net operating loss limitation and the CARES suspension of the limitation</u>			Tabled for consideration of conformity issues 1/26/21

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		Applies retroactively to 1/1/18			
<b>PART I CARES RELATED RESIDENCY/REMOTE WORK</b>					
<b>Language 14-15</b>	<p><u>Current law:</u> Maine residents are taxed on their income regardless of location of employer, (Income is sourced to Maine)</p> <p>IT credit for taxes paid to another jurisdiction</p> <p><u>Current law:</u> Taxpayer must be working in Maine to qualify for EOTC</p>	<p>1. Provides that the income of <u>certain individuals working remotely in Maine</u> for an employer in another state is sourced to the other state if the employee worked in the other state before state of COVID-19 emergency. Allows credit for taxes paid to other state.</p> <p>2. Allows <u>individual who was qualified for Educational Opportunity Tax Credit</u> to maintain eligibility by being considered to be working in Maine during the COVID-19 emergency if the employee was considered to be working in Maine before or during the COVID-19 state of emergency.</p>			Tabled for consideration of conformity issues 1/26/21
<b>PART K CONTRACT FOR MRS TECHNOLOGY UPGRADES</b>					
<b>Language p. 15-16</b>		Extends from 7/1/21 to 7/1/23 the time to repay previously authorized financial agreement for the			Tentative unanimous vote to approve 1/26/21

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		acquisition, licensing, installation, implementation, maintenance and support of computer hardware, software and other systems to support MRS tax collection efforts			
<b>NEW PART U Foreign income CP p. 10</b>	Decouples from the FDII deduction			Expands addition modification for the amount of global intangible low-taxed income deduction to include the total amount of foreign-derived intangible income (FDII) and global intangible low-taxed income deduction claimed under the Code.	Tabled for consideration of conformity issues 1/26/21
<b>NEW PART V PPP loans/expenses CP p.11-12</b>	Paycheck Protection Program loans			Requires addition modification for PPP loans that are expected to receive forgiveness treatment to the extent that a deduction is claimed for expenses that qualify for and are a basis of the loan forgiveness.	Tabled for consideration of conformity issues 1/26/21
<b>NEW PART W Other forgivable loans CAA CP p. 13</b>	Decouples from treatment of certain loan forgiveness other than PPP loans in CAA and to other business financial aid in CAA			Requires addition modification for certain other loan forgiveness under the Consolidated Appropriations Act	Tabled for consideration of conformity issues 1/26/21
<b>NEW PART X Deduction for business meals CAA CP p. 14</b>	Decouples from temporary expansion of deduction for business meals in CCA for TY 21 and 22. Conforms for Tax year 20		FY 21 (\$550,000)	Requires addition modification for expanded business meals deduction	Tabled for consideration of conformity issues 1/26/21

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<sup>i</sup> Definition of qualified improvement property from IRC

**(6) QUALIFIED IMPROVEMENT PROPERTY**

**(A) In general**

The term "[qualified improvement property](#)" means any improvement made by the taxpayer to an interior portion of a building which is [nonresidential real property](#) if such improvement is placed in service after the date such building was first placed in service.

**(B) Certain improvements not included**

Such term shall not include any improvement for which the expenditure is attributable to—

- (i)** the enlargement of the building,
- (ii)** any elevator or escalator, or
- (iii)** the internal structural framework of the building.