CONFORMITY AND FAMILY TAX RELIEF ACT
LEGISLATIVE PROPOSAL STATEMENT
COMMISSIONER ALEC PORTEOUS
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
MARCH 1, 2018

Good afternoon—Chairman Hamper, Representative Gattine and Members of the Appropriations and Financial Affairs Committee; Chairman Dow, Representative Tipping and Members of the Taxation Committee, I am Alec Porteous, and I serve as Commissioner of the Department of Administrative and Financial Services. I am joined by Dr. Michael Allen, Associate Commissioner for Tax Policy for the Department of Administrative and Financial Services.

The federal Tax Cuts and Jobs Act, or "TCJA", became law on December 22. The law represents the first major overhaul of the federal tax code since 1986. It has significant implications on the states and presents policy decisions regarding tax conformity, meaning the degree to which states match their respective tax systems to that of the federal code. Historically, Maine has largely conformed to the Code.

Reviewing the impact of the TCJA on our state, it is important to view the law in its component parts. First, regardless of decisions that Legislators and the LePage Administration make regarding conformity, the TCJA has a significant effect on the federal taxes that Mainers and Maine businesses pay. In 2019, the new law will result in a federal tax cut of approximately $1 billion for our state according to the Institute on Taxation and Economic Policy. Of that $1 billion, more than $500 million would come in the form of tax relief to Maine individual income tax filers, with nearly $200 million more going to pass-through entities in our state—primarily Maine small businesses.

Turning to the impact on Maine taxes, our state—like every other state—must determine the degree to which we will conform to the new federal code. Therefore, following Congress' enactment of the TCJA in December, Maine Revenue Services (MRS) began reviewing the new law's impact on Maine and assembling a report to that effect. As you know, Dr. Allen and I presented that report on February 1 to a joint meeting of the Committees. As we noted during our presentation, the report was compiled to be comprehensive and accessible. Our objective was to create a foundational understanding of the TCJA's impact on Maine and to provide a basis from which Members of the Legislature and the Administration could work to determine the degree to which our state would conform to the updated federal code.

During the joint committee meeting, Dr. Allen and I indicated that conformity legislation would be forthcoming from the LePage Administration. Committee Members expressed their desire to see final language as soon as practicable. We are delivering that language and outlining the legislation here today, and our aim is to provide Committee Members with a thorough overview of the legislation—the Conformity and Family Tax Relief Act (CFTR).

To that end, I want to acknowledge the numerous MRS professionals who worked diligently on the report that Dr. Allen and I presented last month and on the legislation we are presenting today. This has been an outstanding effort on the team's part to review, to comprehend and summarize and then ultimately to address a highly complex overhaul of the federal tax code; and I want to make sure that Members of the Committees and others listening today are aware of the exhaustive work and skilled professionalism on the part of MRS team members that contributed to the report and legislation product.

Before turning to a detailed summary of the bill, it is important to make clear that the Administration is presenting legislation designed to achieve bipartisan support and enactment during the current legislative session. <u>As you know, Governor LePage favors closely conforming to the updated federal code, but he has made clear that he would not support any conformity measure that raises taxes on Mainers or Maine businesses.</u>

The Conformity and Family Tax Relief Act, therefore, is straightforward and written to ensure that our state takes advantage of the significant filing and administrative benefits of mirroring federal tax law and maintains the degree of simplicity that currently exists for tax filers and regulators. Specifically, the CFTR's replication of the personal exemption would maintain the administrative benefit, and cost effectiveness, of piggybacking on the federal code while averting the massive tax increase—$233 million—that conforming to the repeal of the personal exemption would produce.

To put that administrative simplicity and cost effectiveness in context, first, MRS currently employs 27 sales tax field auditors and not a single field auditor for individual income tax. That is due to the fact that, for individual income tax compliance matters—such as confirming the existence and eligibility of claimed dependents for personal exemptions—MRS has largely been able to rely on IRS compliance determinations. Absent such IRS determinations, MRS would need to administer our state's personal exemption independently, which agency leadership estimates would require at least 15 auditors working statewide and would result in new costs of more than $1 million annually. Therefore, the bill we are proposing would seek to replicate the personal exemption in a way that enables Maine taxpayers to retain the financial benefit of their current exemptions but also maintains the administrative benefit of conforming to the federal code.

As discussed with Committee Members during the February 1 meeting, the replication of the personal exemption would come through a combination of enacting a zero percent tax bracket and creating a child and dependent tax credit. The zero percent tax bracket would apply to the first $4,150 of an individual tax filer's earnings and the first $8,300 of earnings for a married couple filing jointly—replicating the personal exemptions those single- or joint-filers would take under current Maine tax law. Notably, the bill would increase the three current existing tax brackets by those amounts, as well. Because the zero percent bracket would only apply to filers and not their dependents, however, the LePage Administration proposes creating a child and

dependent tax credit that would mirror a percentage of those credits in the federal code. Notably, when Dr. Allen and I presented to the Committees last month, we identified $300 as a potential amount for the credit. That was due to the fact that $300 would cover the value of a personal exemption for taxpayers filing their returns at each of Maine's current three individual income tax brackets—5.80, 6.75 and 7.15 percent, respectively.

Based on the tax receipt surplus reflected in the February 27 Revenue Forecasting Committee report, the Conformity and Family Tax Relief Act includes a child and dependent tax credit of $500. This would provide between $204 and $260 of additional tax relief per child or dependent whom Maine families are eligible to claim. In practical terms, the proposed enhanced credit value would simply return surplus revenues—meaning tax dollars beyond the amount our state had originally budgeted to receive—to Maine taxpayers with dependents. All told, it would amount to an additional $60 million in annual tax relief for Maine families.

The enhanced credit is designed, as well, to couple with tax relief for student loan repayment, which the Governor has championed, and which the Administration will be proposing soon in separate legislation. Together, the two measures represent a pro-growth, recruitment and retention strategy for Maine of young professionals and families—effectively encouraging recent college graduates to remain in, or relocate to, Maine and then to settle here permanently and raise their families in our state.

Whereas Maine currently ranks as the oldest state in the nation with a median age of 44.6 years, we know we must get younger to grow and prosper—attracting young professionals to our state and enticing them to remain and raise families here is an advisable way to do it. As Governor LePage has expressed many times, creating the framework that will help accomplish that is a major goal of his, and we believe it is one that can be accomplished on a bipartisan basis.

Turning to the next part of the bill, the second section of the CFTR would conform Maine's tax laws to the new domestic business tax provisions in the federal code. The TCJA includes numerous provisions affecting Maine businesses, and conforming to the law will benefit tax filers and administrators alike. From the filers' standpoint, conforming means that businesses would not need to maintain two sets of books and devote time and resources to considering how Maine's tax laws interact with the federal code. From the administrators' perspective, conforming means that MRS would continue to benefit from relying on the federal tax code, rules, regulations and court decisions to administer many provisions in Maine tax law.

While the TCJA contains numerous provisions affecting Maine firms, three closely linked provisions have the most significant fiscal impact and have been topical in media accounts discussing state conformity implications. Notably, by the next biennium, these provisions have a net neutral fiscal impact on businesses in our state.

- First, "bonus depreciation" would allow firms doing business in Maine to depreciate the entire value of a newly acquired asset—new or used—upon purchase. That provision

would provide a fiscal benefit to Maine businesses of $38.3 million in the current biennium and $40.4 million in the coming biennium.

- Second, the TCJA changes the treatment of net operating losses (NOLs), such that firms can no longer carryback NOLs—they were formerly able to carryback NOLs two years—and, now, can instead carry them forward indefinitely; whereas prior law limited NOL carryforwards to 20 years. Additionally, rather than being able to use 100 percent of an NOL a given tax year, that utilization is limited to 80 percent of taxable income. Conformity to this provision of the updated federal code would come at a cost to Maine firms of $8.0 million in the current biennium and $14.5 million in the coming biennium.

- Third, the TCJA limits the amount of interest expensing that a firm can deduct from taxable earnings. Rather than being able to deduct 100 percent of interest in a given tax year, the TCJA limits that amount to 30 percent of income (disregarding interest)—a significant divergence from past practice, and one that would cost Maine businesses $16.2 million in the current biennium and $28.5 million in the next one.

Overall, during the period covering this biennium and the next one, conforming to each of the domestic business tax provisions in the TCJA would result in a net tax cut for Maine firms of $13.6 million, with a $25.7 million reduction for pass-through entities and a $12.1 million increase in corporate taxes. Due to the increase in Maine's corporate tax burden that would result from strict conformity to the updated federal code, the CFTR contains a small corporate tax rate reduction—from 8.93 percent to 8.33 percent beginning in Tax Year 2020—that mitigates any tax increase and effectively holds harmless corporations. This is in keeping with Governor LePage's pledge that he would not support any conformity measure that raises taxes on Mainers and Maine businesses.

From a compliance standpoint, not conforming to the TCJA's business tax provisions would add complexity to filing for Maine firms. In the case of the three provisions addressed above, failing to conform would create a situation in which firms potentially maintain two depreciation schedules for each newly acquired asset; utilize NOLs differently at the federal and state levels; and have different incentives at the federal and state levels to use debt as a financing vehicle.

Lastly, moving to the CFTR's international tax section, as Dr. Allen and I explained on February 1, this is the most complex aspect of conformity. From Committee Members' standpoint, the most impactful provisions contained in the TCJA's international reforms may be the transition to a territorial system of international corporate taxation from the former worldwide one and the related "deeming" provision. The latter calls for one-time taxation of untaxed foreign assets held abroad at rates of 15.5 percent for cash and cash-equivalents and eight percent for non-cash assets acquired after 1986.

MRS estimates that, of the more than $3 trillion in foreign-held assets of U.S. corporations to be deemed, Maine would derive approximately $31 million in one-time revenue from so-called "deemed repatriation", if our state conforms to federal law. This estimate is informed by the assistance of KPMG international tax experts, with whom MRS contracted for assistance in reviewing the TCJA's international taxation provisions. The $31 million in deeming revenues would help cover the cost of conformity—for example, the larger bonus depreciation tax benefits under the first years of the new law.

Relatedly, from the $1 trillion in foreign liquid assets that U.S. firms project to actually repatriate, MRS estimates that our state will receive approximately $40 million in revenue from capital gains and dividend income taxes, resulting from an increase in funds returned to shareholders. That revenue is already recognized in the February 27 Revenue Forecasting Committee report.

Other international provisions take on a greater degree of complexity but have a less significant fiscal impact on our state. We will discuss them in more detail when we review the bill summary, and MRS continues to review—and craft language addressing—several of the most complex international provisions that Congress included in the TCJA. The Administration will introduce an amendment to the CFTR in the coming weeks that addresses those provisions. From a compliance standpoint, it is important that we conform to those provisions appropriately; again, however, they are not expected to have a significant fiscal impact.

At the guidance of the Chair, Dr. Allen and I would be pleased to answer questions or to turn to the legislative summary included in the packets we provided to outline in greater detail key provisions of the Conformity and Family Tax Relief Act.

CONFORMITY AND FAMILY TAX RELIEF ACT
LEGISLATIVE PROPOSAL SUMMARY
MARCH 1, 2018

Tax Cut and Jobs Act Summary: The changes to the federal tax code included in the federal Tax Cut and Jobs Act (TCJA) will result in an annual benefit to Maine taxpayers of approximately $1 billion. More than $500 million of that tax relief will go to individual income tax filers in our state, with nearly $200 million more going to Maine pass-through entities, primarily small businesses. (Please see ITEP summary sheet included in binder.)

Effect of Conformity / Repealing the Personal Exemption: Fully conforming to the federal tax code changes would simplify filing and administering Maine taxes. Repealing the personal exemption, however, would result in a significant tax increase for Maine families, unless we act to mitigate that tax hike. Governor LePage would not support a conformity measure that increases taxes on Mainers and Maine businesses.

- Federal bill repeals personal exemption → provides relief by increasing the standard deduction and child tax credit and creating a dependent credit
- Maine already increased its standard deduction and does not have a child tax credit → repealing the personal exemption would increase Maine taxes by $233 million per year
- Any conformity measure, then, that repeals the personal exemption must include a corresponding tax reduction, and the tax relief proposal is outlined below.
    - *Please note: MRS is finalizing legislative language pertaining to certain complex international tax provisions, and the Administration intends to introduce an amendment to the conformity bill to address those provisions—none of the provisions that remain outstanding have a significant fiscal impact on our state*
    - *Please note: The conformity date in the draft legislation in now February 9, 2018. On February 9, 2018 the President signed the "Bipartisan Budget Act of 2018". Included in that bill were two tax provisions that were extended retroactively to tax year 2017*

LePage Administration Conformity and Family Tax Relief Bill

Summary

Governor LePage's Conformity and Family Tax Relief Act (CFTR) would conform Maine's tax code to the new federal Code established by the TCJA.

Individual Income Taxes: For individual income taxpayers, the CFTR would eliminate and replicate the current Maine personal exemption ($4,150 for Tax Year 2018). The CFTR would further replicate exemptions that Maine tax filers claim for dependents by creating a $500 child and dependent tax credit that piggybacks on the respective federal credit. By setting the credit at $500, the Governor's bill provides Maine families with an additional $60 million in tax relief annually.

Domestic Business Taxes: For domestic business taxation, the CFTR would conform directly to the TCJA. This would ensure that Maine businesses do not receive an undue tax increase and would maintain simplicity from a filing and administration standpoint. Certain business provisions, such as "bonus depreciation"—i.e., allowing businesses to depreciate fully a newly purchased asset in the tax

year it is acquired—have been topical in media accounts. With respect to bonus depreciation and other provisions that benefit businesses, however, it is important to note that the TCJA contains other provisions that are disadvantageous to businesses. These provisions generally result in a tax-neutral effect.

In the case of bonus depreciation, for example, it is closely linked to two other provisions: new treatment of Net Operating Losses (NOLs) and a limitation on interest deduction—both of which increase the overall business tax burden reflected in the fiscal note. Effectively, in the next biennium, the two provisions net out the tax benefit of bonus depreciation to Maine firms, corporate and pass-through. The argument in favor of conforming fully, therefore, is threefold: (1) enhance filing and compliance simplicity for businesses—e.g., no need to keep two sets of tax books; (2) maintain efficiency—and cost-effectiveness—for MRS in administering Maine's tax laws; and (3) avoid significant tax increases on job creators that could result from partial conformity.

International Business Taxes: A third section of the CFTR addresses the international provisions that Congress included in the TCJA. These provisions do not affect most Maine businesses; however, the deemed repatriation provision associated with the transition to a territorial system of taxation of international earnings stands to yield a significant, one-time fiscal benefit for Maine; so too does increased actual repatriation of foreign earnings held abroad due to more favorable tax treatment. The former would result from Maine conforming to the TCJA's international provisions. The latter results from increased shareholder income due to repatriation and is reflected in the February 27 Revenue Forecasting Committee report in the form of increased revenue from capital gains and dividend income.

Objectives

- Conform to the federal tax code without raising taxes on Mainers and Maine businesses
- Return surplus tax revenues to Maine families and continue to shape a tax structure that incentivizes individuals and businesses to reside and invest in our state
- Couple child tax credit with loan repayment assistance (included in separate forthcoming legislation) to attract young professionals to Maine and encourage them to settle and raise families in our state
- Simplify filing—and reduce the cost of complying to—state and federal taxes for Maine businesses
- Simplify administration of—and reduce the cost of administering—Maine tax laws for MRS
- Ensure that Maine conforms to international taxation provisions included in the TCJA, such that our state receives $31 million in corporate income tax due from multinational corporations as a result of the new law's federal deeming provision

Key Individual Income Tax Provisions

- **Eliminates Personal Exemption:** Scheduled to be $4,150 in Tax Year 2018. Maine formerly conformed to the federal personal exemption, which the TCJA eliminated

- **Recouples Maine Standard Deduction with new Federal Standard Deduction:** $11,600 for single-filers and $23,200 for joint-filers in tax year 2018 → increase to $12,000 and $24,000 standard deductions, respectively

- **Creates 0% tax bracket:** Replicates personal exemption for taxpayer and spouse with 0% bracket covering income for all individual Maine filers' first $4,150 (single-filers) or $8,300 (joint-filers) → <u>effectively exempting this income from state individual income taxes</u>

- **Establishes $500 child tax credit:** 25% of federal child credit and 100% of federal dependent credit; <u>replicates dependent exemptions claimed under the current system and provides more than $200 in additional tax relief for each eligible child or dependent</u>

- **Doubles the Estate Tax exemption from $5.6 million to $11.2 million:** Reduces the number of annual taxable Maine estates.

Key Domestic Business Tax Provisions

- **Bonus Depreciation / NOL Treatment / Interest Deduction:** TCJA contains three provisions that significantly affect Maine businesses and link together closely:
  - <u>Bonus Depreciation:</u> Maine businesses would be able to depreciate 100 percent of the value of newly purchased assets (new or used) in the year the businesses acquire those assets
  - <u>NOL Treatment:</u> Firms would no longer be permitted to carryback losses but would be able to carry them forward indefinitely, as compared to the current two-year carryback and 20-year carry forward provisions. Net operating losses would be limited to 80 percent of taxable income in a given tax year rather than the current 100 percent
  - <u>Interest Deduction:</u> Limits the amount of interest expensing that a firm can deduct from taxable earnings. Rather than being able to deduct 100 percent of interest in a given tax year, the TCJA limits that amount to 30 percent of income (disregarding interest)

- By the next biennium, these provisions have an almost neutral fiscal impact on businesses in our state. It is important to note that conforming to certain of these provisions or not others would create a significantly different fiscal effect

Cost Recovery Provisions
($ millions)

	FY2018	FY2019	FY2020	FY2021
Bonus Depreciation				
Corporate	$ -	$ (25.4)	$ (14.2)	$ (10.5)
Individual	-	(12.9)	(8.0)	(7.7)
Limit Net Interest Deduction				
Corporate	-	13.2	11.0	11.5
Individual	-	3.0	3.0	3.0
Modification of NOL Deduction				
Corporate	-	6.5	6.0	5.5
Individual	-	1.5	1.5	1.5
Total	**$ -**	**$ (14.1)**	**$ (0.7)**	**$ 3.3**

- **Eliminates Deductions:** TCJA eliminates numerous business deductions formerly contained in the federal Code
  - Disallows active pass-through losses of more than $500,000 for joint returns, $250,000 for all others
  - Repeals deduction for local lobbying expenses
  - Repeals deductions for entertainment, amusement and recreation, membership dues to clubs organized for business, pleasure or other social purposes, and expenses associated with providing qualified transportation fringe benefits
  - Denies deductions for settlements subject to nondisclosure agreements paid in connection with sexual harassment or abuse

- **Negate Corporate Tax Increase:** Eliminate the top marginal tax rate for tax years beginning on or after January 1, 2020; reduces top rate from 8.93 percent to 8.33 percent, which would mitigate the corporate tax increase that would otherwise result from full conformity to the TCJA

Key International Income Tax Provisions

- **Deemed Repatriation:** In transitioning toward a territorial corporate income tax system from a worldwide system, the TCJA includes a one-time deemed repatriation provision for calendar year 2017 that requires certain corporations to pay taxes on the accumulated post-1986 deferred earnings and profits of their foreign subsidiaries. The earnings and profits are taxed at a reduced rate depending on how they are held, 15.5% for liquid assets and 8% for illiquid assets.
  - When analyzing the impact of the deemed repatriation on Maine's income tax and the State's options for conforming to the federal changes, MRS professionals consulted with KPMG international taxation experts and an Assistant Attorney General assigned to tax matters
  - MRS professionals then crafted language that will enable Maine to conform to the TCJA in a way that would yield a one-time corresponding tax receipt of approximately $31 million

- **Other international changes:** A key part of the transition toward a territorial corporate income tax system was accomplished by providing corporations with a federal deduction for 100% of certain dividends received from their foreign subsidiaries. This change was accompanied by several anti-base erosion provisions: The taxation of Global Intangible Low-Tax Income (GILTI), the deduction for Foreign-Derived Intangible Income (FDII), and the Base Erosion and Anti-Abuse Tax (BEAT). MRS is finalizing legislative language pertaining to these provisions, and the Administration intends to introduce an amendment to the conformity bill to address them

Funding Requirements and Resources

Funding Requirements and Resources

($ millions)

		FY18-19	FY20-21
Uses			
	Individual Income Tax Reduction	$ (87.4)	$ (117.8)
	Business Income Tax Reduction	(24.0)	(4.8)
	Total Uses	**(111.4)**	**(122.6)**
Sources			
	Revenue Forecast	88.2	115.4
	Deemed Repatriation	23.2	7.2
	Total Sources	**111.4**	**122.6**

LD 1655 – "An Act To Update References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes"
Amendment "A"
March 1, 2018

Amend the bill by replacing the Title with the following:

"An Act to Conform to the United States Internal Revenue Code and Provide Tax Relief to Maine Families"

Amend the bill by striking everything after the enacting clause and substituting the following:

Part A

Sec. A-1. 36 MRSA §111, sub-§1-A, as amended by PL 2017, c. 24, §1, is further amended to read:

1-A. Code. "Code" means the United States Internal Revenue Code of 1986 and amendments to that Code as of ~~December 31, 2016~~ February 9, 2018.

Sec. A-2. Application. This Part applies to tax years beginning on or after January 1, 2017 and to any prior tax years as specifically provided by the United States Internal Revenue Code of 1986 and amendments to that Code as of February 9, 2018.

Part B

Sec. B-1. 36 MRSA § 5111, sub-§1-F, as enacted by PL 2015, c. 267, Pt. DD, §3 is amended to read:

1-F. Single individuals and married persons filing separate returns; tax years beginning 2017. For tax years beginning ~~on or after January 1,~~ in 2017, for single individuals and married persons filing separate returns:

If Maine taxable income is:	The tax is:
Less than $21,050	5.8% of the Maine taxable income
At least $21,050 but less than $50,000	$1,221 plus 6.75% of the excess over $21,050
$50,000 or more	$3,175 plus 7.15% of the excess over $50,000

Sec. B-2. 36 MRSA § 5111, sub-§1-G is enacted to read:

1-G. Single individuals and married persons filing separate returns; tax years beginning 2018. For tax years beginning on or after January 1, 2018, for single individuals and married persons filing separate returns:

If Maine taxable income is: The tax is:

If Maine taxable income is:	The tax is:
At least $4,150 but less than $25,600	5.8% of the excess over $4,150
At least $25,600 but less than $54,900	$1,244 plus 6.75% of the excess over $25,600
$54,900 or more	$3,222 plus 7.15% of the excess over $54,900

Sec. B-3. 36 MRSA § 5111, sub-§2-F, as enacted by PL 2015, c. 267, Pt. DD, §5 is amended to read:

2-F. Heads of households; tax years beginning 2017. For tax years beginning ~~on or after January 1,~~in 2017, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine taxable income is:	The tax is:
Less than $31,550	5.8% of the Maine taxable income
At least $31,550 but less than $75,000	$1,830 plus 6.75% of the excess over $31,550
$75,000 or more	$4,763 plus 7.15% of the excess over $75,000

Sec. B-4. 36 MRSA § 5111, sub-§2-G is enacted to read:

2-G. Heads of households; tax years beginning 2018. For tax years beginning on or after January 1, 2018, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine taxable income is:	The tax is:
At least $4,150 but less than $38,400	5.8% of the excess over $4,150
At least $38,400 but less than $82,350	$1,987 plus 6.75% of the excess over $38,400
$82,350 or more	$4,954 plus 7.15% of the excess over $82,350

Sec. B-5. 36 MRSA § 5111, sub-§3-F, as enacted by PL 2015, c. 267, Pt. DD, §7 is amended to read:

3-F. Individuals filing married joint returns or surviving spouses; tax years beginning 2017. For tax years beginning ~~on or after January 1,~~in 2017, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine taxable income is:	The tax is:
Less than $42,100	5.8% of the Maine taxable income
At least $42,100 but less than $100,000	$2,442 plus 6.75% of the excess over $42,100
$100,000 or more	$6,350 plus 7.15% of the excess over $100,000

Sec. B-6. 36 MRSA § 5111, sub-§3-G is enacted to read:

3-G. Individuals filing married joint returns or surviving spouses; tax years beginning 2018. For tax years beginning on or after January 1, 2018, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine taxable income is: The tax is:

At least $8,300 but less than $51,200	5.8% of the excess over $8,300
At least $51,200 but less than $109,800	$2,488 plus 6.75% of the excess over $51,200
$109,800 or more	$6,444 plus 7.15% of the excess over $109,800

Sec. B-7. 36 MRSA §5124-B as amended by PL 2017, c. 170, Pt. D, is further amended to read:

§5124-B. Standard Deduction; resident on or after January 1, 2016 but before January 1, 2018

For tax years beginning on or after January 1, 2016 but before January 1, 2018, the standard deduction of a resident individual is equal to the sum of the basic standard deduction and any additional standard deduction, subject to the phase-out under subsection 3.

1. Basic standard deduction. The basic standard deduction is:

A. For single individuals and married persons filing separate returns, the basic standard deduction is $11,600;

B. For individuals filing as heads of household, the basic standard deduction is the amount allowed under paragraph A multiplied by 1.5; and

C. For individuals filing married joint returns or surviving spouses, the basic standard deduction is the amount allowed under paragraph A multiplied by 2.

2. Additional standard deduction. The additional standard deduction is the amount allowed under the Code, Section 63(c)(3).

3. Phase-out. The total standard deduction of the taxpayer determined in accordance with subsections 1 and 2 must be reduced by an amount equal to the total standard deduction multiplied by the following fraction:

A. For single individuals and married persons filing separate returns, the numerator is the taxpayer's Maine adjusted gross income less $70,000, except that the numerator may not be less than zero, and the denominator is $75,000. In no case may the fraction contained in this paragraph produce a result that is more than one.~~ The $70,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4~~;

B. For individuals filing as heads of households, the numerator is the taxpayer's Maine adjusted gross income less $105,000, except that the numerator may not be less than zero, and the denominator is $112,500. In no case may the fraction contained in this paragraph produce a result that is more than one.~~ The $105,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4~~; or

C. For individuals filing married joint returns or surviving spouses, the numerator is the taxpayer's Maine adjusted gross income less $140,000, except that the numerator may not be less than zero, and the denominator is $150,000. In no case may the fraction contained in this paragraph produce a result that is more than one. ~~The $140,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4.~~

Sec. B-8. 36 MRSA §5124-C is enacted to read:

§5124-C. Standard Deduction; resident on or after January 1, 2018

1. Amount. For tax years beginning on or after January 1, 2018, the standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, subject to the phase-out under subsection 2.

2. Phase-out. The standard deduction of the taxpayer must be reduced by an amount equal to the total standard deduction multiplied by the following fraction:

A. For single individuals and married persons filing separate returns, the numerator is the taxpayer's Maine adjusted gross income less $80,000, except that the numerator may not be less than zero, and the denominator is $75,000. In no case may the fraction contained in this paragraph produce a result that is more than one. The $80,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4;

B. For individuals filing as heads of households, the numerator is the taxpayer's Maine adjusted gross income less $120,000, except that the numerator may not be less than zero, and the denominator is $112,500. In no case may the fraction contained in this paragraph produce a result that is more than one. The $120,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4; or

C. For individuals filing married joint returns or surviving spouses permitted to file joint returns, the numerator is the taxpayer's Maine adjusted gross income less $160,000, except that the numerator may not be less than zero, and the denominator is $150,000. In no case may the fraction contained in this paragraph produce a result that is more than one. The $160,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4.

Sec. B-9. 36 MRSA §5125, sub-§3, ¶A, as amended by PL 2005, c. 12, Pt. P, §6 and affected by §10 is further amended to read:

A. Reduced by any amount attributable to income taxes or sales and use taxes imposed by this State or any other taxing jurisdiction. For the purposes of this paragraph, income taxes and sales and use taxes are attributed to the Code section 164, subsection 6 limitation after all other taxes allowed by that section;

Sec. B-10. 36 MRSA §5125, sub-§6 as enacted by PL 2017, c. 170, Pt. D, §7 is amended to read:

6. Phase-out. For tax years beginning on or after January 1, 2016 but before January 1, 2018, the total itemized deductions of the taxpayer determined in accordance with subsections 1 through 4 must be reduced by an amount equal to the total itemized deductions multiplied by the following fraction:

A. For single individuals and married persons filing separate returns, the numerator is the taxpayer's Maine adjusted gross income less $70,000, except that the numerator may not be less than zero, and the denominator is $75,000. In no case may the fraction contained in this paragraph produce a result that is more than one. ~~The $70,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4~~;

B. For individuals filing as heads of households, the numerator is the taxpayer's Maine adjusted gross income less $105,000, except that the numerator may not be less than zero, and the denominator is $112,500. In no case may the fraction contained in this paragraph produce a result that is more than one. ~~The $105,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4~~; or

C. For individuals filing married joint returns or surviving spouses, the numerator is the taxpayer's Maine adjusted gross income less $140,000, except that the numerator may not be less than zero, and the denominator is $150,000. In no case may the fraction contained in this paragraph produce a result that is more than one. ~~The $140,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4.~~

Sec. B-11. 36 MRSA §5125, sub-§6-A is enacted to read:

6-A. Phase-out. For tax years beginning on or after January 1, 2018, the total itemized deductions of the taxpayer determined in accordance with subsections 1 through 4 must be reduced by an amount equal to the total itemized deductions multiplied by the following fraction:

A. For single individuals and married persons filing separate returns, the numerator is the taxpayer's Maine adjusted gross income less $80,000, except that the numerator may not be less than zero, and the denominator is $75,000. In no case may the fraction contained in this paragraph produce a result that is more than one. The $80,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4;

B. For individuals filing as heads of households, the numerator is the taxpayer's Maine adjusted gross income less $120,000, except that the numerator may not be less than zero, and the denominator is $112,500. In no case may the fraction contained in this paragraph

produce a result that is more than one. The $120,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4; or

C. For individuals filing married joint returns or surviving spouses permitted to file joint returns, the numerator is the taxpayer's Maine adjusted gross income less $160,000, except that the numerator may not be less than zero, and the denominator is $150,000. In no case may the fraction contained in this paragraph produce a result that is more than one. The $160,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4.

Sec. B-12. 36 MRSA, § 5213-A, sub-§ 1, ¶ A, as amended by PL 2015, c. 328, §4, is further amended to read:

A. For tax years beginning before January 1, 2018, "~~Base~~base credit" means:

(1) For an individual income tax return claiming one personal exemption, $100 for tax years beginning in 2016 and $125 for tax years beginning on or after January 1, 2017;

(2) For an individual income tax return claiming 2 personal exemptions, $140 for tax years beginning in 2016 and $175 for tax years beginning on or after January 1, 2017;

(3) For an individual income tax return claiming 3 personal exemptions, $160 for tax years beginning in 2016 and $200 for tax years beginning on or after January 1, 2017; and

(4) For an individual income tax return claiming 4 or more personal exemptions, $180 for tax years beginning in 2016 and $225 for tax years beginning on or after January 1, 2017.

For the purposes of this paragraph, personal exemption does not include a personal exemption for an individual who is incarcerated.

Sec. B-13. 36 MRSA, § 5213-A, sub-§ 1, ¶ A-1, is enacted to read:

A-1. For tax years beginning on or after January 1, 2018, "base credit" means:

(1) For single individuals, $125;

(2) For persons filing joint returns or as heads of households, $175 plus an additional amount equal to:

(a) For persons filing joint returns, $25 if they can claim the federal child tax credit pursuant to the Code, Section 24 for no more than 1 qualifying child or dependent or $50 if they can claim the credit for more than 1 qualifying child or dependent;

(b) For persons filing as heads of households, $25 if they can claim the federal child tax credit pursuant to the Code, Section 24 for 2 qualifying children or dependents or $50 if they can claim the credit for more than 2 qualifying children or dependents;

Sec. B-14. 36 MRSA, § 5213-A, sub-§ 1, ¶ B, sub-¶ 4, as enacted by PL 2015, c. 267, Pt. DD, §19, is amended to read:

(4) The following amounts deducted in arriving at federal adjusted gross income:

(a) Educator expenses pursuant to the Code, Section 62(a)(2)(D);

(b) Certain business expenses of performing artists pursuant to the Code, Section 62(a)(2)(B);

(c) Certain business expenses of government officials pursuant to the Code, Section 62(a)(2)(C);

(d) Certain business expenses of reservists pursuant to the Code, Section 62(a)(2)(E);

(e) Health savings account deductions pursuant to the Code, Section 62(a)(16) and Section 62(a)(19);

(f) Moving expenses pursuant to the Code, Section 62(a)(15);

(g) The deductible part of self-employment tax pursuant to the Code, Section 164(f);

(h) The deduction for self-employed SEP, SIMPLE and qualified plans pursuant to the Code, Section 62(a)(6);

(i) The self-employed health insurance deduction pursuant to the Code, Section 162(1);

(j) The penalty for early withdrawal of savings pursuant to the Code, Section 62(a)(9);

(k) Alimony paid pursuant to the Code, Section 62(a)(10);

(l) The IRA deduction pursuant to the Code, Section 62(a)(7);

(m) The student loan interest deduction pursuant to the Code, Section 62(a)(17); and

(n) The tuition and fees deduction pursuant to the Code, Section 62(a)(18)~~; and~~.

~~(o) The domestic production activities deduction pursuant to the Code, Section 199.~~

Sec. B-15. 36 MRSA, § 5213-A, sub-§6, ¶ C, is enacted to read:

C. Individuals who can be claimed as a dependent on another taxpayer's return.

Sec. B-16. 36 MRSA, § 5219-KK, sub-§ 1, ¶ A, as amended by PL 2017, c. 211, Pt. D, §6, is further amended to read:

A. For tax years beginning before January 1, 2018, "~~Benefit~~benefit base" means property taxes paid by a resident individual during the tax year on the resident individual's homestead in this State or rent constituting property taxes paid by the resident individual during the tax year on a homestead in the State not exceeding the following amounts:

(1) For persons filing as single individuals, $2,000;

(2) For persons filing joint returns or as heads of households that claim no more than 2 personal exemptions, $2,600; and

(3) For persons filing joint returns or as heads of households that claim 3 or more personal exemptions, $3,200.

Sec. B-17. 36 MRSA, § 5219-KK, sub-§ 1, ¶ A-1, is enacted to read:

A-1. For tax years beginning on or after January 1, 2018, "benefit base" means property taxes paid by a resident individual during the tax year on the resident individual's homestead in this State or rent constituting property taxes paid by the resident individual during the tax year on a homestead in the State not exceeding the following amounts:

(1) For persons filing as single individuals, $2,000;

(2) For persons filing as heads of households that can claim the federal child tax credit pursuant to the Code, Section 24 for no more than 1 qualifying child or dependent or persons filing joint returns, $2,600; and

(3) For persons filing as heads of households that can claim the federal child tax credit pursuant to the Code, Section 24 for more than 1 qualifying child or dependent or persons filing joint returns that can claim the federal child tax credit pursuant to the Code, Section 24 for at least 1 qualifying child or dependent, $3,200.

Sec. B-18. 36 MRSA, § 5219-KK, sub-§ 1, ¶ D, sub-¶4 as enacted by PL 2013, c. 551, §3, is amended to read:

(4) The following amounts deducted in arriving at federal adjusted gross income:

(a) Educator expenses pursuant to the Code, Section 62(a)(2)(D);

(b) Certain business expenses of performing artists pursuant to the Code, Section 62(a)(2)(B);

(c) Certain business expenses of government officials pursuant to the Code, Section 62(a)(2)(C);

(d) Certain business expenses of reservists pursuant to the Code, Section 62(a)(2)(E);

(e) Health savings account deductions pursuant to the Code, Section 62(a)(16) and Section 62(a)(19);

(f) Moving expenses pursuant to the Code, Section 62(a)(15);

(g) The deductible part of self-employment tax pursuant to the Code, Section 164(f);

(h) The deduction for self-employed SEP, SIMPLE and qualified plans pursuant to the Code, Section 62(a)(6);

(i) The self-employed health insurance deduction pursuant to the Code, Section 162(1);

(j) The penalty for early withdrawal of savings pursuant to the Code, Section 62(a)(9);

(k) Alimony paid pursuant to the Code, Section 62(a)(10);

(l) The IRA deduction pursuant to the Code, Section 62(a)(7);

(m) The student loan interest deduction pursuant to the Code, Section 62(a)(17); and

(n) The tuition and fees deduction pursuant to the Code, Section 62(a)(18)~~; and~~.

~~(o) The domestic production activities deduction pursuant to the Code, Section 199.~~

Sec. B-19. 36 MRSA § 5219-RR is enacted to read:

§5219-RR. Dependent exemption tax credit

1. Resident taxpayer. A resident individual is allowed a credit against the tax otherwise due under this Part equal to $500 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year.

2. Nonresident taxpayer. A nonresident individual is allowed a credit against the tax otherwise due under this Part equal to $500 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year, multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income, as modified by section 5122.

3. Part-year resident taxpayer. An individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part equal to $500 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year, multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income, as modified by section 5122.

4. Limitation. The credit allowed by this section may not reduce the Maine income tax to less than zero. If the taxpayer's federal child tax credit is zero for the taxable year, the credit under this section for the same taxable year is zero.

Sec. B-20. 36 MRSA § 5403, sub-§1, as enacted by PL 2015, c. 267, Pt. DD, §33 is repealed and the following enacted in its place:

1. Individual income tax rate tables. By the dollar amounts of the tax rate tables specified in section 5111, subsections 1-G, 2-G and 3-G, except that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017;

Sec. B-21. 36 MRSA § 5403, sub-§2, as enacted by PL 2015, c. 267, Part DD, §33 is amended to read:

2. Standard deductions. ~~By~~ In 2016, by the dollar amount contained in section 5124-B, subsection 1, paragraph A, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2015;

Sec. B-22. 36 MRSA § 5403, sub-§4, as amended by PL 2017, c. 170, Part D, §10 is further amended to read:

4. Individual income tax standard deduction and itemized deduction phase-out. Beginning in ~~2017~~2018 and each year thereafter, by the dollar amount contained in the numerator of the fraction specified in section ~~5124-B~~5124-C, subsection ~~1~~2, paragraphs A, B and C and section 5125, subsection 6-A, paragraphs A, B and C, except that for the purposes of this

subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, ~~2016~~2017;

Sec. B-23. Application. Those sections of this Part that amend Title 36, §5125, sub-§3, ¶A, §5213-A, sub-§1, ¶B, sub-¶4, and §5219-KK sub-§1, ¶D, sub-¶4 and that enact Title 36, §5213-A, sub-§6, ¶C and §5219-RR apply to tax years beginning on or after January 1, 2018.

Part C

Sec. C-1. 36 MRSA § 5122, sub-§1, ¶X as amended by PL 2007, c. 539, Pt. CCC, §2, is further amended to read:

X. ~~An~~ For tax years beginning on or after January 1, 2005 but before January 1, 2018, an amount equal to the taxpayer's federal deduction relating to income attributable to domestic production activities claimed in accordance with Section 102 of the federal American Jobs Creation Act of 2004, Public Law 108-357;

Sec. C-2. 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, 2018:

(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. C-3. 36 MRSA § 5164, sub-§ 1 as amended by PL 2011, c. 548, § 26 and affected by § 35, is further amended to read:

1. Fiduciary adjustment defined. The fiduciary adjustment is the net amount of the modifications described in section 5122, including subsection 3 if the estate or trust is a beneficiary of another estate or trust, that relates to items of income or deduction of an estate or trust. The following items, to the extent that they were deducted in arriving at federal taxable income, must be added back to the fiduciary adjustment: Income taxes imposed by this State or any other taxing jurisdiction, the amount determined under the Code section 199A and interest or expenses incurred in the production of income exempt from tax under this Part ~~that were deducted in arriving at federal taxable income must be added back to the fiduciary adjustment~~. Interest or expenses incurred in the production of income taxable under this Part but exempt from federal income tax must be subtracted from the fiduciary adjustment.

Sec. C-4. 36 MRSA §5200-A, sub-§1, ¶S as amended by PL 2007, c. 700, Pt. B, §1 is further amended to read:

S. ~~An~~ For tax years beginning on or after January 1, 2005 but before January 1, 2018, an amount equal to the taxpayer's federal deduction relating to income attributable to domestic production activities claimed in accordance with Section 102 of the federal American Jobs Creation Act of 2004, Public Law 108-357;

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

CC. For taxable years beginning on or after January 1, 2015 but before January 1, 2018:

(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. C-6. 36 MRSA, § 5203-C, sub-§ 2, ¶ C, as amended by PL 2011, c. 380, Pt. N. §§ 12 and 13 and affected by PL 2011, c. 380, Pt. N, § 19, is further amended to read:

C. Taxable corporations required to file an income tax return under this Part, excluding financial institutions subject to the tax imposed by chapter 819 and persons not subject to the federal alternative minimum tax under the Code, Section 55(e). The tax imposed by this subsection does not apply to taxable corporations for tax years beginning on or after January 1, 2018.

Sec. C-7. 36 MRSA §5219-NN as repealed and replaced by PL 2017, c. 211, Pt. D, §8 is amended to read:

§5219-NN. MAINE CAPITAL INVESTMENT CREDIT FOR 2015, 2016, AND 2017 ~~AFTER~~

1. Credit allowed. A taxpayer that claims a depreciation deduction under the Code, Section 168(k) for property placed in service in the State during a taxable year that begins on or after January 1, 2015 but before January 1, 2018 is allowed a credit as follows:

A. A taxable corporation is allowed a credit against the taxes imposed by this Part in an amount equal to 9% of the amount of the net increase in the depreciation deduction reported as an addition to income for the taxable year under section 5200-A, subsection 1, paragraph CC, subparagraph (1) with respect to that property, except for excluded property under subsection 2; or

B. An individual is allowed a credit against the taxes imposed by this Part in an amount equal to:

(1) For taxable years beginning in 2015, 8% of the amount of the net increase in the depreciation deduction reported as an addition to income for the taxable year under section 5122, subsection 1, paragraph KK, subparagraph (1) with respect to that property, except for excluded property under subsection 2; and

(2) For taxable years beginning on or after January 1, 2016 but before January 1, 2018, 7% of the amount of the net increase in the depreciation deduction reported as an addition to income for the taxable year under section 5122, subsection 1, paragraph KK, subparagraph (1) with respect to that property, except for excluded property under subsection 2.

2. Certain property excluded. The following property is not eligible for the credit under this section:

A. Property owned by a public utility as defined by Title 35-A, section 102, subsection 13;

B. Property owned by a person that provides radio paging services as defined by Title 35-A, section 102, subsection 15;

C. Property owned by a person that provides mobile telecommunications services as defined by Title 35-A, section 102, subsection 9-A;

D. Property owned by a cable television company as defined by Title 30-A, section 2001, subsection 2;

E. Property owned by a person that provides satellite-based direct television broadcast services;

F. Property owned by a person that provides multichannel, multipoint television distribution services; and

G. Property that is not in service in the State for the entire 12-month period following the date it is placed in service in the State.

3. Limitations; carry-forward. The credit allowed under subsection 1 may not reduce the tax otherwise due under this Part to less than zero. Any unused portion of the credit may be carried forward to the following year or years for a period not to exceed 20 years.

4. Recapture. The credit allowed under this section must be fully recaptured to the extent claimed by the taxpayer if the property forming the basis of the credit is not used in the State for the entire 12-month period following the date it is placed in service in the State. The credit must be recaptured by filing an amended return in accordance with section 5227-A for the tax year in

which that property was used to calculate the credit under this section. The amended return must reflect the credit disallowed and the income modifications required by section 5122, subsection 1, paragraph KK and section 5200-A, subsection 1, paragraph CC with respect to that property.

Sec. C-8. Application. Those sections of this Part that amend Title 36, §5164, sub-§1 apply to tax years beginning on or after January 1, 2018.

Part D

Sec. D-1. 36 MRSA §5200-A, sub-§1, ¶DD, is enacted to read:

DD. An amount equal to the taxpayer's federal deduction claimed in accordance with the Code, Section 965(c);

Sec. D-2. 36 MRSA §5200-A, sub-§2, ¶G, as amended by PL 1997, c. 746, §10 and affected by §24, is further amended to read:

G. Fifty percent of the apportionable dividend income the taxpayer received during the taxable year from an affiliated corporation that is not included with the taxpayer in a Maine combined report~~,~~. Dividend income does not include subpart F income, as defined in the Code, Section 952, or income included in accordance with the Code, Section 965 ~~except that this modification must be phased in over 5 years in accordance with the following schedule:~~

~~Taxable year beginning in: Subtractable dividend income:~~

~~1989 10%~~

~~1990 20%~~

~~1991 30%~~

~~1992 40%~~

~~1993 or thereafter 50%~~;

Sec. D-3. 36 MRSA §5200-A, sub-§2, ¶BB, is enacted to read:

BB. An amount equal to fifty percent of the apportionable subpart F income, as defined in the Code, Section 952, that the taxpayer included in federal gross income during the taxable year;

Sec. D-4. 36 MRSA §5200-A, sub-§2, ¶CC, is enacted to read:

CC. An amount equal to eighty percent of the apportionable income that the taxpayer included in federal gross income during the taxable year in accordance with the Code, Section 965(a) and (b);

Sec. D-5. Application. This Part applies to tax years beginning on or after January 1, 2017.

Part E

Sec. E-1. 36 MRSA § 5200, sub-§ 1, as amended by PL 2005, c. 618, § 6, and affected by PL 2005, c. 618, § 22, is further amended to read:

1. Imposition and rate of tax prior to 2020. For tax years beginning before January 1, 2020, ~~A~~ a tax is imposed for each taxable year at the following rates on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group:

If the income is:	The tax is:
Not over $25,000	3.5% of the income
$25,000 but not over $75,000	$875 plus 7.93% of the excess over $25,000
$75,000 but not over $250,000	$4,840 plus 8.33% of the excess over $75,000
$250,000 or more	$19,418 plus 8.93% of the excess over $250,000

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first $250,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the Maine net income of the entire group is taxed at 8.93%.

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable both within and without this State, the rates provided in this subsection are applied only to the first $250,000 of the net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the net income of the entire group is taxed at 8.93%.

Sec. E-2. 36 MRSA § 5200, sub-§ 1-A is enacted to read:

1-A. Imposition and rate of tax beginning 2020. For tax years beginning on or after January 1, 2020, a tax is imposed for each taxable year at the following rates on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group:

If the income is:	The tax is:
Not over $25,000	3.5% of the income
$25,000 but not over $75,000	$875 plus 7.93% of the excess over $25,000
$75,000 or more	$4,840 plus 8.33% of the excess over $75,000

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first $75,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the Maine net income of the entire group is taxed at 8.33%.

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable both within and without this State, the rates provided in this subsection are applied only to the first $75,000 of the net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the net income of the entire group is taxed at 8.33%.

Sec. E-3. 36 MRSA § 5200, sub-§ 2 as enacted by PL 2005, c. 457, Pt. FFF, §§1 and 2 is amended to read:

2. Business activity only within Maine. For purposes of ~~subsection~~ subsections 1 and 1-A, with respect to a taxable corporation or group of corporations that derive income from a unitary business carried on by 2 or more members of an affiliated group with income from business activity that is taxable only by Maine, "income" means Maine net income.

Sec. E-4. 36 MRSA § 5200, sub-§ 3 as enacted by PL 2005, c. 457, Pt. FFF, §§1 and 2 is amended to read:

3. Business activity within and outside Maine. For purposes of ~~subsection~~ subsections 1 and 1-A, with respect to a taxable corporation with income from business activity that is taxable both within and without this State, "income" means the corporation's net income. The tax amount computed under ~~subsection~~ subsections 1 and 1-A must then be apportioned under the provisions of chapter 821 to determine the amount of tax imposed on that corporation.

Sec. E-5. 36 MRSA § 5200, sub-§ 4 as enacted by PL 2005, c. 457, Pt. FFF, §§1 and 2 is amended to read:

4. Business activity within and outside Maine; unitary business. For purposes of ~~subsection~~ subsections 1 and 1-A, with respect to taxable corporations that derive income from a unitary business carried on by 2 or more members of an affiliated group with business activity that is taxable both within and without this State, "income" means the net income of the entire group. The tax amount computed under ~~subsection~~ subsections 1 and 1-A must then be apportioned under the provisions of chapter 821 for the entire group to determine the amount of tax imposed on the taxable corporations.

Part F

Sec. F-1. Short title. This Act may be known and cited as "the Conformity and Family Tax Relief Act."

Sec. F-2. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL

SERVICES, DEPARTMENT OF

Revenue Services, Bureau of 0002

Initiative: Provides funding for one Principal Revenue Agent and one Tax Section Manager effective July 1, 2018 to administer the tax law changes associated with the taxation of multinational businesses, and funding for computer programming effective July 1, 2018 to implement modifications to individual, corporate and fiduciary income tax forms necessitated by federal and state tax law changes.

GENERAL FUND	**2017-18**	**2018-19**
POSITIONS - LEGISLATIVE COUNT	0.000	2.000
Personal Services	$0	$214,253
All Other	$0	$194,908
GENERAL FUND TOTAL	$0	$409,161

SUMMARY

Part A of this amendment updates references to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 to refer to the United States Internal Revenue Code of 1986, as amended through February 9, 2018, for tax years beginning on or after January 1, 2017 and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986, as amended. This Part primarily affects the State's income and estate tax laws.

Part B of this amendment also makes the following changes to the individual income tax:

Sections B-1 through B-6 and B-20 reduce the individual income tax for tax years beginning on or after January 1, 2018 by eliminating the tax on taxable income up to $4,150 for single individuals and head of household filers and up to $8,300 for individuals filing married joint returns or surviving spouses permitted to file a joint return. The current rate structure consists of 5.8%, 6.75%, and 7.15% taxable income brackets.

Sections B-7, B-8, B-21, and B-22 change the Maine standard deduction to conform to the

federal standard deduction and increases the amount at which the standard deduction begins to phase out. Applies to tax years beginning on or after January 1, 2018.

Section B-9 clarifies that the income taxes and sales and use taxes itemized deduction subtraction does not reduce the amount of property and other taxes that may be claimed as a Maine itemized deduction.

Sections B-10, B-11, and B-22 increase the amount at which the Maine itemized deduction begins to phase out. Applies to tax year beginning on or after January 1, 2018.

Sections B-12 through B-18 amend the sales tax fairness credit and the property tax fairness credit by replacing references to the number of exemptions claimed on the taxpayer's return with references to dependents claimed under the federal child tax credits and removing the requirement to add the federal domestic production activities deduction to income for purposes of the programs in response to federal tax changes made in the Tax Cuts and Jobs Act of 2017.

Section B-19 establishes a new tax credit equal to $500 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 is claimed for the same taxable year. The new credit is available for tax years beginning on or after January 1, 2018.

Part C of this amendment also makes the following changes to the individual and corporate income taxes:

Sections C-1 and C-4 repeal Maine's domestic production activities deduction add-back. The related federal deduction is repealed for tax years beginning on or after January 1, 2018.

Sections C-2, C-5, and C-7 repeal the addition modifications that reverse, for Maine tax purposes, the effects of the federal bonus depreciation deduction and repeals the related Maine capital investment tax credit. Both changes apply to tax years beginning on or after January 1, 2018.

Section C-3 provides that any amount claimed as a special deduction provided by IRC 199A must be added back to federal taxable income for purposes of calculating income tax liability of estates and trusts under chapters 809 and 811. Individual taxpayers are not allowed the special deduction provided by IRC 199A in calculating Maine taxable income; this section provides similar treatment to estates and trusts.

Section C-6 eliminates the corporate alternative minimum tax for tax years beginning after December 31, 2017.

Part D makes the following corporate income tax changes in regards to the federal mandatory repatriation of deferred foreign income under United States Public Law 115-97 and the taxation of dividends and "subpart F income":

Section D-1 creates an addition modification in the amount of the "participation exemption" claimed in accordance with the Code, Section 965(c).

Section D-2 removes obsolete language from the existing dividends received subtraction and excludes from dividend income "subpart F income," as defined in the Code, Section 952 and deferred foreign income, included in accordance with Code, Section 965.

Section D-3 creates a subtraction modification for an amount equal to fifty percent of the apportionable "subpart F income," as defined in the Code, Section 952, included in federal gross income by the taxpayer. This section codifies the longstanding administrative practice of applying the existing dividends received subtraction to "subpart F income" as well as dividends.

Section D-4 creates a subtraction modification for an amount equal to eighty percent of the apportionable deferred foreign income included in federal gross income, pursuant to the Code, Section 965(a) and (b), by the taxpayer.

Part E reduces corporate income tax rates beginning in 2020. The current rate structure for taxable corporations consists of 3.5%, 7.93%, 8.33% and 8.93% taxable income brackets. The proposed rate structure for tax years beginning after December 31, 2019 consists of 3.5%, 7.93%, and 8.33% taxable income brackets.

LD 1655– Amendment "A"	*Summary*
	Replace Title
Be it enacted by the People of the State of Maine as follows:	
Part A (Conformity Date)	
Sec. A-1. 36 MRSA §111, sub-§1-A	Part A of this amendment updates references to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 to refer to the United States Internal Revenue Code of 1986, as amended through February 9, 2018, for tax years beginning on or after January 1, 2017 and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986, as amended. This Part primarily affects the State's income and estate tax laws.
Sec. A-2. Application.	
Part B (Individual Income Tax)	
Sec. B-1. 36 MRSA § 5111, sub-§1-F	Sections B-1 through B-6 and B-20 reduce the individual income tax for tax years beginning on or after January 1, 2018 by eliminating the tax on taxable income up to $4,150 for single individuals and head of household filers and up to $8,300 for individuals filing married joint returns or surviving spouses permitted to file a joint return. The current rate structure consists of 5.8%, 6.75%, and 7.15% taxable income brackets.
Sec. B-2. 36 MRSA § 5111, sub-§1-G	
Sec. B-3. 36 MRSA § 5111, sub-§2-F	
Sec. B-4. 36 MRSA § 5111, sub-§2-G	
Sec. B-5. 36 MRSA § 5111, sub-§3-F	
Sec. B-6. 36 MRSA § 5111, sub-§3-G	
Sec. B-7. 36 MRSA §5124-B	Sections B-7, B-8, B-21, and B-22 change the Maine standard deduction to conform to the federal standard deduction and increases the amount at which the standard deduction begins to phase out. Applies to tax years beginning on or after January 1, 2018.
Sec. B-8. 36 MRSA §5124-C	
Sec. B-9. 36 MRSA §5125, sub-§3, ¶A	Section B-9 clarifies that the income taxes and sales and use taxes itemized deduction subtraction does not reduce the amount of property and other taxes that may be claimed as a Maine itemized deduction.
Sec. B-10. 36 MRSA §5125, sub-§6	Sections B-10, B-11, and B-22 increase the amount at which the Maine itemized deduction begins to phase out. Applies to tax year beginning on or after January 1, 2018.
Sec. B-11. 36 MRSA §5125, sub-§6-A	
Sec. B-12. 36 MRSA, § 5213-A, sub-§ 1, ¶ A	Sections B-12 through B-18 amend the sales tax fairness credit and the property tax fairness credit by replacing references to the number of exemptions claimed on the taxpayer's return with references to dependents claimed under the federal child tax credits and removing the requirement to add the federal domestic production activities deduction to income for purposes of the programs in response to federal tax changes made in the Tax Cuts and Jobs Act of 2017.
Sec. B-13. 36 MRSA, § 5213-A, sub-§ 1, ¶ A-1	
Sec. B-14. 36 MRSA, § 5213-A, sub-§ 1, ¶ B, sub-¶ 4	

Sec. B-15. 36 MRSA, § 5213-A, sub-§6, ¶ C	
Sec. B-16. 36 MRSA, § 5219-KK, sub-§ 1, ¶ A	
Sec. B-17. 36 MRSA, § 5219-KK, sub-§ 1, ¶ A-1	
Sec. B-18. 36 MRSA, § 5219-KK, sub-§ 1, ¶ D, sub-¶4	
Sec. B-19. 36 MRSA § 5219-RR	Section B-19 establishes a new tax credit equal to $500 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 is claimed for the same taxable year. The new credit is available for tax years beginning on or after January 1, 2018.
Sec. B-20. 36 MRSA § 5403, sub-§1	Sections B-1 through B-6 and B-20 reduce the individual income tax for tax years beginning on or after January 1, 2018 by eliminating the tax on taxable income up to $4,150 for single individuals and head of household filers and up to $8,300 for individuals filing married joint returns or surviving spouses permitted to file a joint return. The current rate structure consists of 5.8%, 6.75%, and 7.15% taxable income brackets.
Sec. B-21. 36 MRSA § 5403, sub-§2	Sections B-7, B-8, B-21, and B-22 change the Maine standard deduction to conform to the federal standard deduction and increases the amount at which the standard deduction begins to phase out. Applies to tax years beginning on or after January 1, 2018.
Sec. B-22. 36 MRSA § 5403, sub-§4	Sections B-7, B-8, B-21, and B-22 change the Maine standard deduction to conform to the federal standard deduction and increases the amount at which the standard deduction begins to phase out. Applies to tax years beginning on or after January 1, 2018. Sections B-10, B-11, and B-22 increase the amount at which the Maine itemized deduction begins to phase out. Applies to tax year beginning on or after January 1, 2018.
Sec. B-23. Application	

Part C (Individual and Corporate Business Provisions)

Sec. C-1. 36 MRSA § 5122, sub-§1, ¶X	Sections C-1 and C-4 repeal Maine's domestic production activities deduction add-back. The related federal deduction is repealed for tax years beginning on or after January 1, 2018.
Sec. C-2. 36 MRSA §5122, sub-§1, ¶KK	Sections C-2, C-5, and C-7 repeal the addition modifications that reverse, for Maine tax purposes, the effects of the federal bonus depreciation deduction and repeals the related Maine capital investment tax credit. Both changes apply to tax years beginning on or after January 1, 2018.

Sec. C-3. 36 MRSA § 5164, sub-§ 1	Section C-3 provides that any amount claimed as a special deduction provided by IRC 199A must be added back to federal taxable income for purposes of calculating income tax liability of estates and trusts under chapters 809 and 811. Individual taxpayers are not allowed the special deduction provided by IRC 199A in calculating Maine taxable income; this section provides similar treatment to estates and trusts.
Sec. C-4. 36 MRSA §5200-A, sub-§1, ¶S	Sections C-1 and C-4 repeal Maine's domestic production activities deduction add-back. The related federal deduction is repealed for tax years beginning on or after January 1, 2018.
Sec. C-5. 36 MRSA §5200-A, sub-§1, ¶CC	Sections C-2, C-5, and C-7 repeal the addition modifications that reverse, for Maine tax purposes, the effects of the federal bonus depreciation deduction and repeals the related Maine capital investment tax credit. Both changes apply to tax years beginning on or after January 1, 2018.
Sec. C-6. 36 MRSA, § 5203-C, sub-§ 2, ¶ C	Section C-6 eliminates the corporate alternative minimum tax for tax years beginning after December 31, 2017.
Sec. C-7. 36 MRSA §5219-NN	Sections C-2, C-5, and C-7 repeal the addition modifications that reverse, for Maine tax purposes, the effects of the federal bonus depreciation deduction and repeals the related Maine capital investment tax credit. Both changes apply to tax years beginning on or after January 1, 2018.
Sec. C-8. Application	

Part D (Deemed Repatriation)

Sec. D-1. 36 MRSA §5200-A, sub-§1, ¶DD	Section D-1 creates an addition modification in the amount of the "participation exemption" claimed in accordance with the Code, Section 965(c).
Sec. D-2. 36 MRSA §5200-A, sub-§2, ¶G	Section D-2 removes obsolete language from the existing dividends received subtraction and excludes from dividend income "subpart F income," as defined in the Code, Section 952 and deferred foreign income, included in accordance with Code, Section 965.
Sec. D-3. 36 MRSA §5200-A, sub-§2, ¶BB	Section D-3 creates a subtraction modification for an amount equal to fifty percent of the apportionable "subpart F income," as defined in the Code, Section 952, included in federal gross income by the taxpayer. This section codifies the longstanding administrative practice of applying the existing dividends received subtraction to "subpart F income" as well as dividends.
Sec. D-4. 36 MRSA §5200-A, sub-§2, ¶CC	Section D-4 creates a subtraction modification for an amount equal to eighty percent of the apportionable deferred foreign income included in federal gross income, pursuant to the Code, Section 965(a) and (b), by the taxpayer.
Sec. D-5. Application.	

Part E (Corporate Income Tax Rates)

Sec. E-1. 36 MRSA § 5200, sub-§ 1 Sec. E-2. 36 MRSA § 5200, sub-§ 1-A	Part E reduces corporate income tax rates beginning in 2020. The current rate structure for taxable corporations consists of 3.5%, 7.93%, 8.33% and 8.93% taxable income brackets. The proposed rate structure for tax years beginning after December 31, 2019 consists of 3.5%, 7.93%,

Sec. E-3. 36 MRSA § 5200, sub-§ 2	and 8.33% taxable income brackets.
Sec. E-4. 36 MRSA § 5200, sub-§ 3	
Sec. E-5. 36 MRSA § 5200, sub-§ 4	
Part F (Appropriations and Allocations)	
Sec. F-1. Short title.	
Sec. F-2. Appropriations and allocations.	

Conformity to The "Tax Cuts and Jobs Act" and the "Bipartisan Budget Act of 2018"

	FY18	FY19	Biennium	FY20	FY21	Biennium
PARTS A & C - Conformity to The Tax Cuts and Jobs Act (Effective January 1, 2018) and Bipartisan Budget Act of 2018 (Tax Year 2017 Only)						
Individual Tax Reform						
Lower Medical Expense Deduction AGI Threshold to 7.5% (Tax Year 2017)	($1,150,000)	$0	($1,150,000)	$0	$0	$0
Deductibility of Mortgage Insurance Premiums (Tax Year 2017)	($250,000)	$0	($250,000)	$0	$0	$0
Deduction for Qualified Tuition and Related Expenses	($400,000)	$0	($400,000)	$0	$0	$0
Repeal of Deduction for Personal Exemptions	$23,400,000	$307,700,000	$331,100,000	$246,450,000	$255,880,000	$502,330,000
Other Individual Income Tax Changes /1	$600,000	$10,680,000	$11,280,000	$9,270,000	$9,320,000	$18,590,000
Double Estate Tax Exemption Amount	$0	($4,200,000)	($4,200,000)	($5,600,000)	($5,750,000)	($11,350,000)
General Fund	$21,756,000	$307,812,400	$329,568,400	$237,334,000	$246,190,000	$483,524,000
Local Government Fund	$444,000	$6,367,600	$6,811,600	$12,786,000	$13,260,000	$26,046,000
Business Tax Reform						
Corporate AMT Repeal	$0	($1,500,000)	($1,500,000)	($1,200,000)	($1,200,000)	($2,400,000)
Small Business Reforms /2						
Corporate	$0	($4,400,000)	($4,400,000)	($2,000,000)	($1,200,000)	($3,200,000)
Individual	$0	($9,600,000)	($9,600,000)	($3,250,000)	($1,850,000)	($5,100,000)
Cost Recovery						
Bonus Depreciation (Tax Year 2017) /3						
Corporate	($730,000)	($820,000)	($1,550,000)	$0	$10,000	$10,000
Individual	($1,290,000)	$30,000	($1,260,000)	$310,000	$260,000	$570,000
Bonus Depreciation (Tax Years 2018-2026) /4						
Corporate	$0	($25,400,000)	($25,400,000)	($14,200,000)	($10,500,000)	($24,700,000)
Individual	$0	($12,900,000)	($12,900,000)	($8,000,000)	($7,700,000)	($15,700,000)
Limit Net Interest Deduction						
Corporate	$0	$13,200,000	$13,200,000	$11,000,000	$11,500,000	$22,500,000
Individual	$0	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$6,000,000
Modification of NOL Deduction						
Corporate	$0	$6,500,000	$6,500,000	$6,000,000	$5,500,000	$11,500,000
Individual	$0	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$3,000,000
Other Cost Recovery Provisions						
Corporate	$0	$400,000	$400,000	$300,000	$500,000	$800,000
Individual	$0	$300,000	$300,000	$300,000	$300,000	$600,000
Business-Related Deductions						
Corporate	$0	$4,800,000	$4,800,000	$3,300,000	$3,300,000	$6,600,000
Individual	$0	$300,000	$300,000	$300,000	$300,000	$600,000
Accounting Methods						
Corporate	$0	$1,900,000	$1,900,000	$1,600,000	$1,700,000	$3,300,000
Individual	$0	$400,000	$400,000	$400,000	$400,000	$800,000
Compensation						
Corporate	$0	$300,000	$300,000	$700,000	$700,000	$1,400,000
Partnerships						
Individual	$0	$400,000	$400,000	$500,000	$500,000	$1,000,000
Tax-Exempt Organization						
Corporate	$0	$300,000	$300,000	$300,000	$300,000	$600,000
Other Provisions						
Corporate	$0	$400,000	$400,000	$300,000	$500,000	$800,000
Individual	$0	$100,000	$100,000	$100,000	$200,000	$300,000
Total - Business Tax Reform						
Corporate	($730,000)	($4,320,000)	($5,050,000)	$6,100,000	$11,110,000	$17,210,000
Individual	($1,290,000)	($16,470,000)	($17,760,000)	($4,840,000)	($3,090,000)	($7,930,000)
General Fund	($1,979,600)	($20,374,200)	($22,353,800)	$1,197,000	$7,619,000	$8,816,000
Local Government Fund	($40,400)	($415,800)	($456,200)	$63,000	$401,000	$464,000
PART D - International Tax Reform						
Deemed Repatriation /5	$750,000	$22,900,000	$23,650,000	$7,050,000	$500,000	$7,550,000
Total Conformity to TCJA & BBA						
Corporate	$20,000	$16,880,000	$16,900,000	$13,150,000	$11,610,000	$24,760,000
Individual	$20,910,000	$303,610,000	$324,520,000	$257,930,000	$262,610,000	$520,540,000
Estate	$0	($4,200,000)	($4,200,000)	($5,600,000)	($5,750,000)	($11,350,000)
General Fund	**$20,511,400**	**$309,880,200**	**$330,391,600**	**$251,926,000**	**$254,759,000**	**$506,685,000**
Local Government Fund	$418,600	$6,409,800	$6,828,400	$13,554,000	$13,711,000	$27,265,000

PART B & E - Additional Tax Provisions

	FY18	FY19	Biennium	FY20	FY21	Biennium
$500 per Child & Dependent Credit, 0% Bracket, Conform to Federal SD, and Increase Income Threshold of SD/ID Phaseout (Effective January 1, 2018)	($30,290,000)	($396,854,000)	($427,144,000)	($315,086,000)	($325,392,000)	($640,478,000)
General Fund	($29,684,200)	($388,916,920)	($418,601,120)	($299,331,700)	($309,122,400)	($608,454,100)
Local Government Fund	($605,800)	($7,937,080)	($8,542,880)	($15,754,300)	($16,269,600)	($32,023,900)
Reduce Top Corporate Income Tax Rate to 8.33% (Effective January 1, 2020)	$0	$0	$0	($1,864,502)	($12,480,403)	($14,344,905)
General Fund	$0	$0	$0	($1,771,277)	($11,856,383)	($13,627,660)
Local Government Fund	$0	$0	$0	($93,225)	($624,020)	($717,245)

Total Impact	FY18	FY19	Biennium	FY20	FY21	Biennium
General Fund Revenues	*($9,172,800)*	*($79,036,720)*	*($88,209,520)*	*($49,176,977)*	*($66,219,783)*	*($115,396,760)*
Local Government Fund	($187,200)	($1,527,280)	($1,714,480)	($2,293,525)	($3,182,620)	($5,476,145)
March 1, 2018 RFC Report - General Fund Revenues	**$38,872,505**	**$89,607,394**	**$128,479,899**	**$79,195,598**	**$70,513,527**	**$149,709,125**
Net General Fund Revenue Impact	*$29,699,705*	*$10,570,674*	*$40,270,379*	*$30,018,621*	*$4,293,744*	*$34,312,365*

Department of Administrative and Financial Services
Maine Revenue Services
Office of Tax Policy

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1/ Estimate assumes full conformity with the major individual income tax reform provisions in the TCJA. This includes; itemized deduction changes, repeal of deduction for moving expenses, and alternative inflation adjustments. Includes the provision to disallow active pass-through losses in excess of $500,000 for joint returns, $250,000 of all others.

2/ Includes the increase in Section 179 expensing to $1 million with a phase-out range beginning at $2.5 million, and simplified accounting for small businesses.

3/ Estimates the additional cost of the Maine Capital Investment Credit because of the increase in bonus depreciation from 50% to 100% for property acquired and placed into service after September 27, 2017 and before January 1, 2018.

4/ Assumes repeal of the Maine Captital Investment Credit and full conformity to the expansion and phase down of bonus depreciation after December 31, 2017.

5/ Conforms to the gross amount of deemed repatriation included in federal gross income and provides a subtraction modification equal to 80% of the apportionable deferred foreign income.