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Legislative Document

No. 1876

H.P. 1247

House of Representatives, May 5, 2025

An Act to Increase Use of State Tax Credits

(EMERGENCY)

Received by the Clerk of the House on May 1, 2025. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in black ink, reading "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative DEBRITO of Waterville.
Cosponsored by President DAUGHTRY of Cumberland and
Representatives: FRIEDMANN of Bar Harbor, GATTINE of Westbrook, LEE of Auburn,
MATLACK of St. George, RANA of Bangor, WHITE of Ellsworth, Senators: BALDACCI of
Penobscot, BICKFORD of Androscoggin.

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, this legislation establishes the Working Group to Study and Recommend Strategies to Increase the Utilization of Individual Tax Credits to perform a comprehensive study of practices related to the use and promotion of state tax credits; and

Whereas, the study must be initiated before the 90-day period expires in order that the study may be completed and a report submitted in time for submission to the next legislative session; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

PART A

Sec. A-1. Working group established. The Working Group to Study and Recommend Strategies to Increase the Utilization of Individual Tax Credits, referred to in this Part as "the working group," is established. Except as otherwise provided, the working group shall primarily focus on the following tax credits, but may address other individual state tax credits:

1. The earned income credit under the Maine Revised Statutes, Title 36, section 5219-S;
2. The property tax fairness credit under the Maine Revised Statutes, Title 36, section 5219-KK;
3. The dependent exemption tax credit under the Maine Revised Statutes, Title 36, section 5219-SS; and
4. The sales tax fairness credit under the Maine Revised Statutes, Title 36, section 5213-A.

Sec. A-2. Membership. Notwithstanding Joint Rule 353, the working group consists of 17 members, as follows:

1. Three members of the Senate, appointed by the President of the Senate, including:
 - A. At least one member from each of the 2 parties holding the largest number of seats in the Legislature; and
 - B. At least one member from the Joint Standing Committee on Taxation;
2. Three members of the House of Representatives, appointed by the Speaker of the House of Representatives, including:
 - A. At least one member from each of the 2 parties holding the largest number of seats in the Legislature; and
 - B. At least one member from the Joint Standing Committee on Taxation;

1 3. One member representing economists, individuals with expertise in taxation or the
2 business sector, appointed by the President of the Senate;

3 4. One member representing a statewide coalition of advocates working to assist
4 individuals in filing taxes, appointed by the President of the Senate;

5 5. Two members, each of whom has an income level below 200% of the federal
6 poverty level and has experience with claiming any of the following tax credits:

7 A. The earned income credit under the Maine Revised Statutes, Title 36, section
8 5219-S;

9 B. The property tax fairness credit under the Maine Revised Statutes, Title 36, section
10 5219-KK;

11 C. The dependent exemption tax credit under the Maine Revised Statutes, Title 36,
12 section 5219-SS; and

13 D. The sales tax fairness credit under the Maine Revised Statutes, Title 36, section
14 5213-A.

15 One member must be appointed by the President of the Senate and one member must be
16 appointed by the Speaker of the House;

17 6. One member representing the interests of low-income individuals in this State,
18 appointed by the Speaker of the House of Representatives;

19 7. One member representing municipal management and other municipal interests,
20 appointed by the Speaker of the House of Representatives;

21 8. One member representing the interests and needs of individuals 65 years of age or
22 older in this State, appointed by the Governor;

23 9. One member with legal expertise in consumer protection matters, appointed by the
24 Governor;

25 10. One member who has recent experience in providing tax preparation services or is
26 currently employed to provide tax preparation services, appointed by the Governor;

27 11. As a nonvoting member, a representative from the Department of Administrative
28 and Financial Services, Bureau of Revenue Services, Office of Tax Policy appointed by the
29 Governor; and

30 12. As a nonvoting member, the Commissioner of Administrative and Financial
31 Services or the commissioner's designee.

32 **Sec. A-3. Chairs.** The first-named Senate member is the Senate chair and the first-
33 named House of Representatives member is the House chair of the working group.

34 **Sec. A-4. Appointments; convening of working group; number of**
35 **meetings.** All appointments must be made no later than 30 days following the effective
36 date of this Act. The appointing authorities shall notify the Executive Director of the
37 Legislative Council once all appointments have been completed. After appointment of all
38 members, the chairs shall call and convene the first meeting of the working group. If 30
39 days or more after the effective date of this resolve a majority of but not all appointments
40 have been made, the chairs may request authority and the Legislative Council may grant

1 authority for the working group to meet and conduct its business. The working group may
2 meet up to 6 times prior to submitting the report required pursuant to section 9 of this Part.

3 **Sec. A-5. Duties.** The working group shall:

4 1. Study and address the use of state tax credits by:

5 A. Determining the rate at which eligible individuals are using available state tax
6 credits, broken down by geographical area, gender, race and age;

7 B. Identifying and assessing current barriers that may be negatively affecting the rate
8 at which available state tax credits are being used; and

9 C. Developing recommendations to address any disparities between the demographic
10 groups reviewed pursuant to paragraph A;

11 2. Study and address the current practices of large tax preparation firms with respect to
12 offering state tax credits to individuals in this State by:

13 A. Examining the current practices of large tax preparation firms that offer services to
14 individuals in this State with respect to providing information to customers about state
15 tax credits and assisting customers in using those credits;

16 B. Examining the efficacy of the software used by large tax preparation firms to
17 prepare and file tax returns with respect to assisting customers in using state tax credits;
18 and

19 C. Developing recommendations for potential public policy or consumer protection
20 measures to ensure that individual taxpayers in this State are informed of and have
21 access to state tax credits, regardless of which tax preparer the individual taxpayer uses.

22 For the purposes of this subsection, "large tax preparation firm" has the same meaning as
23 in the Maine Revised Statutes, Title 10, section 1500-AA, subsection 1, paragraph B;

24 3. Study how other states regulate tax preparers, evaluate those regulatory models and
25 develop recommendations concerning which, if any, of those models could be adapted and
26 implemented in this State for the purpose of protecting consumers and increasing individual
27 use of available state tax credits. In performing the study pursuant to this subsection, the
28 working group shall, with respect to each regulatory model of another state it studies,
29 examine the following:

30 A. Any registration or licensing required of tax preparers;

31 B. Any mandatory trainings required of tax preparers concerning state tax credits;

32 C. Codes of conduct and ethical standards applying to tax preparers; and

33 D. Disciplinary structures for compliance with any professional standards required
34 under that state's policy;

35 4. Address the role that the government of this State plays in promoting public
36 awareness of individual state tax credits by:

37 A. Identifying existing interactions of State Government with individual taxpayers that
38 include providing information to those individuals about state tax credits;

- 1 B. Identifying interactions between State Government and individual taxpayers that do
2 not currently include providing information to those individuals about state tax credits
3 but reasonably could;
- 4 C. Identifying and evaluating any potential barriers to incorporating the provision of
5 state tax credit information to individual taxpayers in any interactions identified in
6 paragraph B;
- 7 D. Recommending strategies to expand the practice of promoting awareness of state
8 tax credits throughout appropriate state departments and agencies, including through
9 interdepartmental data sharing;
- 10 E. Determining the role of the State Government, particularly the Department of
11 Administrative and Financial Services, Bureau of Revenue Services, referred to in this
12 Part as "the bureau," in promoting the use of the Internal Revenue Services Direct File
13 System by individuals in this State. The working group shall identify and evaluate
14 actions or resources that may be needed to strengthen the bureau's efforts to promote
15 the use of the direct file system; and
- 16 F. Recommending improvements to the State's free electronic tax filing system, also
17 known as the Maine Tax Portal, including recommendations to improve:
- 18 (1) Public education efforts to promote the existence and availability of the
19 electronic filing system; and
- 20 (2) Ease of use and accessibility features, including mobile access, use of plain
21 language and accessibility to non-English speakers;
- 22 5. Examine and address the current role of the taxpayer advocate established as an
23 employee of the bureau by the Maine Revised Statutes, Title 36, section 151-C by:
- 24 A. Reviewing the taxpayer advocate's practices to determine whether the taxpayer
25 advocate currently has a process for identifying cases when individual taxpayers are
26 not receiving reasonable or expected assistance to access state tax credits;
- 27 B. If the taxpayer advocate does have such a practice as described in paragraph A,
28 studying that process;
- 29 C. Assessing the taxpayer advocate's role in increasing public awareness of existing
30 state tax credits available to individual taxpayers;
- 31 D. Developing recommendations to enhance the taxpayer advocate's effectiveness in
32 public outreach and support concerning individual taxpayer's access to and awareness
33 of state tax credits; and
- 34 E. With respect to any recommendations made pursuant to paragraph D, determining
35 the scope of any resources that may be necessary to support those recommendations,
36 including funding or technical support;
- 37 6. Study and address current practices of municipalities related to promoting awareness
38 of individual state tax credits and tax relief programs by:
- 39 A. Identifying and assessing the current practices of municipalities throughout the
40 State, including with respect to promoting awareness of the following:
- 41 (1) The earned income credit under the Maine Revised Statutes, Title 36, section
42 5219-S;

(2) The property tax fairness credit under the Maine Revised Statutes, Title 36, section 5219-KK;

(3) The dependent exemption tax credit under the Maine Revised Statutes, Title 36, section 5219-SS;

(4) The sales tax fairness credit under the Maine Revised Statutes, Title 36, section 5213-A; and

(5) A deferred collection of homestead property taxes under the Maine Revised Statutes, Title 36, chapter 908; and

B. Recommending strategies to expand awareness of individual state tax credits throughout the State, including by replicating or expanding any effective strategies identified in the working group's study pursuant to this subsection; and

7. Evaluate and address any barriers preventing a municipality from expanding the municipality's efforts to promote individual taxpayer awareness of state tax credits by:

A. Determining funding, technical support and coordination needs for the municipality to expand state tax credit awareness efforts; and

B. Recommending how state resources could be disbursed to minimize the administrative or financial burden on local governments in their efforts to expand individual taxpayer awareness of state tax credits.

Sec. A-6. Public comment. The working group may solicit public comment with respect to any of the recommendations developed by the working group pursuant to section 5.

Sec. A-7. Staff assistance. Notwithstanding Joint Rule 353, the Legislative Council shall provide necessary staffing services or may contract for necessary staffing services for the working group, except that Legislative Council staff support is not authorized when the Legislature is in regular or special session. Upon request, the following agencies shall provide additional staffing assistance to the working group: the Department of the Attorney General; the Department of Labor; the Department of Education; the Department of the Secretary of State; the Department of Health and Human Services; the Department of Professional and Financial Regulation; and the Department of Administrative and Financial Services, including the Bureau of Revenue Services within the department.

Sec. A-8. Additional funding sources. The working group may apply for and receive funds, grants or contributions from public and private sources to support its activities.

Sec. A-9. Report. Notwithstanding Joint Rule 353, by December 15, 2025, the working group shall submit to the Joint Standing Committee on Taxation a report consisting of the working group's findings and recommendations, including any proposed legislation. The joint standing committee may report out legislation related to the report to the Second Regular Session of the 132nd Legislature.

PART B

Sec. B-1. 10 MRSA c. 239 is enacted to read:

CHAPTER 239

LARGE TAX PREPARATION FIRMS

§1500-AA. Report on training practices required

A large tax preparation firm shall annually submit the report required under this chapter.

1. Definitions. As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

A. "Bureau" means the Bureau of Revenue Services within the Department of Administrative and Financial Services.

B. "Large tax preparation firm" means a business that:

(1) Offers tax return preparation services to individuals and families in the State;

(2) Offers tax return preparation services at multiple franchise locations, or remotely, to customers nationwide or in multiple other states; and

(3) Has at least 50 employees.

2. Report. Beginning January 1, 2026 and annually thereafter, a large tax preparation firm shall submit to the Office of Tax Policy within the bureau and the taxpayer advocate employed by the bureau a report documenting the staff training provided to its employees in the last year related to increasing employee knowledge of state tax credits, including but not limited to the following:

A. The earned income credit under Title 36, section 5219-S;

B. The property tax fairness credit under Title 36, section 5219-KK;

C. The dependent exemption tax credit under Title 36, section 5219-SS; and

D. The sales tax fairness credit under the Title 36, section 5213-A.

PART C

Sec. C-1. Funding for free volunteer tax assistance. On or before June 30, 2025, the State Controller shall transfer \$150,000 from the unappropriated surplus of the General Fund to the All Other line category in the University of Maine System, New Ventures Maine program, General Fund account to support a coalition of approximately 50 organizations providing free volunteer tax assistance and other financial education services to low-income individuals and families statewide.

Sec. C-2. Report. No later than June 1, 2026, the Chancellor of the University of Maine System, in maintaining the so-called New Ventures Maine program pursuant to the Maine Revised Statutes, Title 20-A, section 10922 shall submit a report to the Joint Standing Committee on Taxation that includes a description of how the coalition receiving the funds transferred pursuant to section 1 of this Part is using those funds, how many individuals and families the coalition has served and how many individuals they assisted in filing their taxes with those funds.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

SUMMARY

Part A establishes the Working Group to Study and Recommend Strategies to Increase the Utilization of Individual Tax Credits. The working group consists of Legislators, members with experience related to taxation, tax preparation, consumer protection or municipal management and members representing the interests of low-income individuals and individuals 65 years of age or older.

The working group is tasked with studying and developing recommendations to increase the use of individual State tax credits by individuals in this State by examining the following: current use of state tax credits across various demographics; services offered by large tax preparation firms with respect to assisting consumers with obtaining state tax credits; regulatory structures used by other states to regulate tax preparers; the role that the State Government plays in promoting public awareness of individual tax credits; the current role performed by the Department of Administrative and Financial Services, Bureau of Revenue Services taxpayer advocate; and municipal efforts to promote public awareness of individual state tax credits and resources that could be used by municipalities to expand those efforts. The working group is authorized but not required to solicit public comment in respect to any of the recommendations developed pursuant to the working group's studies.

The working group must submit to the Joint Standing Committee on Taxation by December 15, 2025 a report consisting of the working group's findings and recommendations, including any proposed legislation. The joint standing committee may report out legislation related to the report to the Second Regular Session of the 132nd Legislature.

Part B of the bill requires large tax preparation firms that offer tax return preparation services in this State to annually submit to the Office of Tax Policy within the Department of Administrative and Financial Services, Bureau of Revenue Services and the taxpayer advocate employed by the bureau, a report documenting the staff training provided to the firm's employees in the last year related to increasing the knowledge of state tax credits. Firms covered under this Part are firms that have multiple franchise locations or offer remote services across the country and that have at least 50 employees. The first report is due January 1, 2026.

Part C directs the State Controller to transfer \$150,000 from the unappropriated surplus of the General Fund to the All Other line category in the University of Maine System, New Ventures Maine program, General Fund account by June 30, 2025 to support a coalition of 50 organizations providing free volunteer tax assistance and other financial education services to low-income individuals and families statewide. The Chancellor of the University of Maine System in maintaining the New Ventures Maine program must submit a report by June 1, 2026 to the Joint Standing Committee on Taxation that includes a description of how the coalition receiving the funds is using those funds and how many individuals and families the coalition has served with those funds.