

STATE OF MAINE

—
IN THE YEAR OF OUR LORD
TWO THOUSAND TWENTY-FIVE

—
H.P. 144 - L.D. 221

**An Act to Address the Effect of Changes to Federal Income Tax Laws on
Maine Income Tax Laws**

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

Sec. 1. 36 MRSA §5231, sub-§4 is enacted to read:

4. Material budgetary impact. The assessor may not grant a generally applicable extension of time for payment or filing that would have a material budgetary impact on the State without the approval of the Commissioner of Administrative and Financial Services. Prior to granting the approval, the commissioner shall report in writing to the Governor the nature of the extension and its budgetary impact and shall send a copy of the report to the President of the Senate, the Speaker of the House of Representatives, the majority and minority leaders of the Senate and House of Representatives, the chair of the joint standing committee of the Legislature having jurisdiction over taxation matters and the chair of the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs.

Sec. 2. 36 MRSA §5295 is enacted to read:

§5295. Temporary adjustments to Maine income tax filing requirements based on federal changes

1. Federal income tax law changes; report. Whenever it appears to the Commissioner of Administrative and Financial Services that the Legislature has not had the opportunity before the bureau begins processing returns for the most recently completed tax year to conform or adjust Maine laws in response to federal income tax law changes affecting the tax year, the commissioner shall report in writing to the Governor a description of the federal income tax law changes and their potential effect on Maine income tax laws and the state budget. The commissioner shall timely send a copy of the report to the President of the Senate, the Speaker of the House of Representatives, the majority and minority leaders of the Senate and House of Representatives, the chair of the joint standing committee of the Legislature having jurisdiction over taxation matters and the chair of the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs.

2. Determination by Governor of temporary adjustment of Maine income tax filing requirements. After receiving the report pursuant to subsection 1, the Governor may direct the assessor to temporarily adjust, in a manner determined equitable by the Governor, the assessor's administration of the tax year based on some or all of the federal income tax law changes as the Governor may equitably determine, contingent on the future enactment by the Legislature of legislation that addresses the federal income tax law changes. The Governor, to the extent practicable, shall make the determination consistent with the intent of the Legislature in enacted Maine income tax laws and consider the budgetary implications of the determination and the extent to which the determination reduces the complexity of the affected tax year to ease taxpayers' compliance with, and the bureau's administration of, Maine income tax laws.

3. Notice. Immediately upon making a determination pursuant to subsection 2, the Governor shall notify the President of the Senate, the Speaker of the House of Representatives, the majority and minority leaders of the Senate and House of Representatives, the members of the joint standing committee of the Legislature having jurisdiction over taxation matters and the chairs of the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs of the specific direction provided to the assessor and the effect of that determination on Maine income tax laws and the state budget.

Upon receipt of notice pursuant to this subsection, the joint standing committee of the Legislature having jurisdiction over taxation matters may convene to consider action taken under this section. A hearing held under this section must be held with public notice provided at least 2 full weeks prior to the day of the hearing. The joint standing committee may report out a bill related to the report to the session of the Legislature to which the report is submitted or, if the Legislature is not in session, to the next regular or special session of the Legislature occurring after submission of the report.

4. Action by assessor. Upon receiving the direction of the Governor pursuant to subsection 2, the assessor shall proceed in accordance with that direction, including in the processing of income tax returns and notices, the acceptance of tax payments and the issuance of refunds.

The tax return filing instructions or related public information must:

- A. State that the tax return filing instructions and processing of those returns are, in whole or in part, contingent on the enactment by the Legislature of legislation that addresses federal income tax law changes;
- B. Explain that a taxpayer may choose to wait for the enactment by the Legislature of legislation that addresses federal income tax law changes by filing under extension pursuant to section 5231, subsection 4;
- C. Require a taxpayer that files a tax return to do so in a manner consistent with the issued tax returns, forms, instructions and other guidance; and
- D. State that if the Legislature enacts legislation that addresses federal income tax law changes that are at variance with the filing instructions in effect at the time of filing:
 - (1) The affected taxpayer is not subject to interest or penalty for a resulting underpayment related to the variance;

(2) Any incorrect refund will not result in interest or penalty accruing prior to the date of enactment of such legislation; and

(3) The affected taxpayer shall file an amended return to address the variance.