Maine Earned Income Tax Credit

Background

Statutory Reference: 36 MRS §5219-S
Enactment: 2000
Sunset: No Sunset
GF Revenue Loss Estimate:[1] $41.3M FY26, $40.9M FY27
Administering Agency: MRS
Taxpayers Impacted: approximately 92,000 taxpayers in TY2023

The Maine Earned Income Tax Credit (EITC) is a tax credit built on the federal EITC, a credit for low- to moderate-income workers and families. The Maine credit provides a percentage of the federal credit to eligible Maine taxpayers depending on whether a claimant has a qualifying child. Both the calculation of the underlying federal credit and the percentage of the federal credit available to Maine taxpayers has changed over time. Since the tax year beginning in 2022, the percentages are:

No qualifying child	50% of federal EITC
All other eligible individuals	25% of federal EITC

For part-year resident and nonresident taxpayers the credit amount is adjusted based on a ratio including the portion of the taxpayer's income that is Maine adjusted gross income. The credit for non-resident taxpayers is not refundable, but the credit for Maine resident and part-year resident taxpayers is refundable.

The Maine credit is available to those taxpayers who are eligible to claim the federal credit but also to some Maine taxpayers who are not eligible for the federal credit including those that:

- Are under the age of 25 and without a qualifying child, but otherwise would qualify for the federal credit.
- Use an Individual Taxpayer Identification Number (ITIN) number and not a Social Security Number (SSN) to file for taxpayers but would otherwise qualify for the federal credit. ITINs are used for tax filing purposes by certain categories of non-citizens.

Proposed Evaluation Parameters

To guide each full tax expenditure evaluation, 3 MRS §999 requires that the Government Oversight Committee approve:

(1) the purpose, intents or goals of the tax expenditure;
(2) the intended beneficiaries of the tax expenditure;
(3) the evaluation objectives; and
(4) performance measures appropriate for analyzing the evaluation objectives.

[1] The Red Book notes that the revenue loss listed includes a transfer of TANF funds and that the revenue loss would be higher if not for this transfer. Some Red Book editions provide what the revenue loss would be without the TANF transfer, the 2026-2027 edition does not. In the 2024-2025 edition, the TANF transfer was shown to reduce the General Fund revenue loss by a little more than $8M each year.

The following table includes OPEGA's proposal, relative to these four statutory evaluation parameters, for the Government Oversight Committee's consideration.

Purposes, Intent or Goals Derived by OPEGA from background research.
1. To reduce poverty and encourage workforce participation among working families and individuals in Maine by raising the after-tax income of low- and moderate-income families.
Intended Beneficiaries Derived by OPEGA from background research and Red Book description
1. Direct recipients of the tax credit: low- and moderate-income Maine people and families 2. Indirect beneficiaries: citizens and taxpayers of Maine through improved outcomes for Maine citizens and impacts to local economies
Evaluation Objectives (3 MRS §999)
1. The fiscal impact of the tax expenditure, including past and estimated future impacts; 2. The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; 3. The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits; 4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; 5. The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states; 6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; 7. The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative; 8. The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and 9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.
Performance Measures Derived by OPEGA from background research.
1. Measures of poverty among working families and individuals in Maine, including measures of childhood poverty. 2. Measures of workforce participation among low-income Maine people. 3. Measures of tax burden by income distribution in Maine, including with and without the state EITC. 4. Average credit amount broken down by income level. 5. Information on credit uptake over time.