December 2026 Revenue Forecast

Maine Revenue Services – Office of Tax Policy

November 24, 2026

Review of March 1, 2026 RFC Forecast

- RFC revised General Fund revenue estimates downward by -$27.2 million for FY26 and upward by $36 million for FY27 for a total increase of $8.8 million (0.1%) for the 2026-2027 biennium. Also reduced projections for FY28 by -$19.2 million and for FY29 by -$65.5 million.
- Individual Income Tax Revenue estimates were revised upward by $14.0 million for FY26 and $43.0 million for FY27 but reduced the FY28/FY29 biennium by -$49 million. The primary source of the upward reprojection in the short term was incoming information on the strength capital gains realizations for tax year 2025 .
- Sales and Use Tax and Service Provider Tax (SPT) estimates were revised downward by -$21.8 million for FY26, -$17 million for FY27, -$15.5 million for FY28 and -$16.9 million for FY29. In the new CEFC forecast, the combination of personal income growth and the saving rate results in higher household spending every year. However, the new forecast of personal consumption expenditures (PCE) shifts spending from taxable durable and nondurable goods to nontaxable services, reducing sales tax revenue in each year of the forecast period. The biggest source of these revisions are auto sales, which dropped sharply in 2025Q4 and are forecast to remain low.
- Corporate Income Tax Revenue estimates were revised downward by -$20.0 million for FY26, -$2.0 million for FY27 and -$14.0 million for FY28. The March forecast assumed net payments by corporations during the final quarter of FY26 would be higher because of the state's anticipated nonconformity with retroactive federal tax cuts but would not fully recover the $27.3 million negative variance through January. Given the CEFC's forecast for pre-tax corporate profits the forecast over the remaining three years of the revenue forecast was relatively small.

Final FY26 General Fund Revenues Relative to Forecast

STATE OF MAINE
Undedicated Revenues - General Fund
For the Twelfth Month Ended June 30, 2026
For the Fiscal Year Ending June 30, 2026
Comparison to Budget

Exhibit I

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Total Budgeted Fiscal Year Ending 6/30/2026
Sales and Use Tax	$ 220,795,503	$ 206,566,730	$ 14,228,773	6.9 %	$ 2,392,353,934	$ 2,377,162,344	$ 15,191,590	0.6 %	$ 2,377,162,344
Service Provider Tax	9,118	-	9,118	- %	26,576,712	26,605,597	(28,885)	(0.1)%	26,605,597
Individual Income Tax	304,429,975	285,690,042	18,739,933	6.6 %	2,843,502,379	2,799,948,320	43,554,059	1.6 %	2,799,948,320
Corporate Income Tax	67,833,062	57,018,284	10,814,778	19.0 %	368,725,205	350,939,998	17,785,207	5.1 %	350,939,998
Cigarette and Tobacco Tax	17,351,085	17,321,079	30,006	0.2 %	178,273,007	182,024,711	(3,751,704)	(2.1)%	182,024,711
Insurance Companies Tax	42,179,179	44,321,742	(2,142,563)	(4.8)%	133,903,225	134,311,000	(407,775)	(0.3)%	134,311,000
Estate Tax	1,070,511	5,118,595	(4,048,084)	(79.1)%	69,284,886	55,930,000	13,354,886	23.9 %	55,930,000
Fines, Forfeits & Penalties	2,549,187	887,722	1,661,465	187.2 %	21,044,507	16,927,729	4,116,778	24.3 %	16,927,729
Income from Investments	7,406,706	5,468,468	1,938,238	35.4 %	45,406,060	42,435,839	2,970,221	7.0 %	42,435,839
Transfer from Lottery Commission	6,356,761	6,000,000	356,761	5.9 %	83,143,461	78,000,000	5,143,461	6.6 %	78,000,000
Transfer from Liquor Commission	-	-	-	- %	7,000,000	7,000,000	-	- %	7,000,000
Transfers for Tax Relief Programs	(41,973)	(2,394,469)	2,352,496	98.2 %	(82,041,801)	(83,682,000)	1,640,199	2.0 %	(83,682,000)
Transfer to Municipal Revenue Sharing	(24,441,418)	(19,648,679)	(4,792,739)	(24.4)%	(283,574,568)	(281,830,374)	(1,744,194)	(0.6)%	(281,830,374)
Auto Sales Tax Transfer to Highway Fund	-	-	-	- %	(118,509,077)	(118,509,077)	(0)	- %	(118,509,077)
Other Taxes and Fees	18,617,414	10,537,197	8,080,217	76.7 %	177,469,466	157,593,586	19,875,880	12.6 %	157,593,586
Other Revenues	25,313,333	24,134,742	1,178,591	4.9 %	5,169,615	3,804,907	1,364,708	35.9 %	3,804,907
Total Collected	$ 689,428,443	$ 641,021,453	$ 48,406,990	7.6 %	$ 5,867,727,009	$ 5,748,662,580	$ 119,064,429	2.1 %	$ 5,748,662,580

Final FY26 Highway Fund Revenues Relative to Forecast

STATE OF MAINE
Undedicated Revenues - Highway Fund
For the Twelfth Month Ended June 30, 2026
For the Fiscal Year Ending June 30, 2026
Comparison to Budget

Exhibit V

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Total Budgeted Fiscal Year Ending 6/30/2026
Fuel Taxes	$ 21,285,677	$ 20,042,731	$ 1,242,946	6.2 %	$ 245,111,047	$ 242,077,452	$ 3,033,595	1.3 %	$ 242,077,452
Motor Vehicle Registration & Fees	10,197,875	10,964,589	(766,714)	(7.0)%	124,563,475	115,685,431	8,878,044	7.7 %	115,685,431
Motor Vehicle Inspection Fees	597,897	266,886	331,011	124.0 %	3,887,668	3,202,500	685,168	21.4 %	3,202,500
Miscellaneous Taxes & Fees	230,146	799,247	(569,101)	(71.2)%	1,723,937	1,418,970	304,967	21.5 %	1,418,970
Fines, Forfeits & Penalties	113,151	104,170	8,981	8.6 %	1,198,603	606,412	592,191	97.7 %	606,412
Earnings on Investments	744,057	165,914	578,143	348.5 %	3,899,272	3,093,149	806,123	26.1 %	3,093,149
Auto Sales Tax Transfer from General Fund	-	-	-	- %	118,509,077	118,509,077	0	- %	118,509,077
Fuel Tax Transfer to Transcap	(2,181,782)	(2,009,272)	(172,510)	(8.6)%	(25,124,056)	(24,812,939)	(311,117)	(1.3)%	(24,812,939)
Auto Sales Tax Transfer to Transcap	-	-	-	- %	(26,071,997)	(26,071,997)	(0)	- %	(26,071,997)
Transfer from Liquor Commission	6,340,312	4,980,864	1,359,448	27.3 %	54,645,017	53,000,000	1,645,017	3.1 %	53,000,000
All Other	525,768	1,393,160	(867,392)	(62.3)%	14,467,174	12,286,105	2,181,069	17.8 %	12,286,105
Total Collected	$ 37,853,102	$ 36,708,289	$ 1,144,813	3.1 %	$ 516,809,219	$ 498,994,160	$ 17,815,059	3.6 %	$ 498,994,160

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

October FY27 General Fund Revenues Relative to Forecast

STATE OF MAINE
Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2026
For the Fiscal Year Ending June 30, 2027
Comparison to Budget

Exhibit I

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Total Budgeted Fiscal Year Ending 6/30/2027
Sales and Use Tax	$ 233,730,494	$ 231,166,704	$ 2,563,790	1.1 %	$ 983,427,033	$ 960,764,966	$ 22,662,067	2.4 %	$ 2,440,468,050
Service Provider Tax	21,378	-	21,378	- %	245,592	-	245,592	- %	-
Individual Income Tax	248,666,274	256,325,974	(7,659,700)	(3.0)%	1,001,216,676	1,031,847,418	(30,630,742)	(3.0)%	2,986,229,207
Corporate Income Tax	26,522,379	13,617,628	12,904,751	94.8 %	156,423,936	115,314,782	41,109,154	35.6 %	365,552,998
Cigarette and Tobacco Tax	17,268,217	19,364,705	(2,096,488)	(10.8)%	79,419,156	79,060,343	358,813	0.5 %	216,866,603
Insurance Companies Tax	9,302,655	11,241,941	(1,939,286)	(17.3)%	11,283,902	12,011,493	(727,591)	(6.1)%	139,494,000
Estate Tax	6,230,757	4,150,000	2,080,757	50.1 %	12,250,432	16,900,000	(4,649,568)	(27.5)%	50,200,000
Fines, Forfeits & Penalties	1,343,462	3,777,404	(2,433,942)	(64.4)%	6,605,851	8,086,540	(1,480,689)	(18.3)%	16,311,150
Income from Investments	4,243,917	3,556,121	687,796	19.3 %	12,443,404	11,101,903	1,341,501	12.1 %	34,138,748
Transfer from Lottery Commission	6,701,387	7,201,094	(499,707)	(6.9)%	27,015,298	25,923,938	1,091,360	4.2 %	74,891,377
Transfer from Liquor Commission	-	-	-	- %	7,000,000	7,000,000	-	- %	7,000,000
Transfers for Tax Relief Programs	(1,002,983)	(613,477)	(389,506)	(63.5)%	(1,776,991)	(2,934,867)	1,157,876	39.5 %	(86,950,000)
Transfer to Municipal Revenue Sharing	(32,967,249)	(32,469,075)	(498,174)	(1.5)%	(111,272,018)	(108,614,664)	(2,657,354)	(2.4)%	(293,348,913)
Auto Sales Tax Transfer to Highway Fund	(55,954,688)	(57,965,955)	2,011,268	3.5 %	(115,340,016)	(115,295,974)	(44,042)	- %	(115,295,974)
Other Taxes and Fees	27,174,421	23,030,766	4,143,655	18.0 %	75,321,907	66,716,088	8,605,819	12.9 %	151,385,893
Other Revenues	(10,263,664)	(12,850,338)	2,586,674	20.1 %	(31,971,002)	(34,139,546)	2,168,544	6.4 %	(4,916,289)
Total Collected	$ 481,016,760	$ 469,533,492	$ 11,483,268	2.4 %	$ 2,112,293,159	$ 2,073,742,420	$ 38,550,739	1.9 %	$ 5,982,026,850

October FY27 General Fund Revenues Relative to October FY26

STATE OF MAINE
Undedicated Revenues - General Fund
For the Fourth Month Ended October 31, 2026 and 2025
For the Fiscal Year Ending June 30, 2027 and 2026
Comparison to To Prior Year

Exhibit II

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date			
	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)
Sales and Use Tax	$ 233,730,494	$ 219,292,320	$ 14,438,174	6.6 %	$ 983,427,033	$ 922,327,027	$ 61,100,006	6.6 %
Service Provider Tax	21,378	3,784,767	(3,763,389)	(99.4)%	245,592	16,439,591	(16,193,999)	(98.5)%
Individual Income Tax	248,666,274	240,484,108	8,182,166	3.4 %	1,001,216,676	976,871,088	24,345,588	2.5 %
Corporate Income Tax	26,522,379	16,117,628	10,404,751	64.6 %	156,423,936	110,814,781	45,609,155	41.2 %
Cigarette and Tobacco Tax	17,268,217	14,083,142	3,185,076	22.6 %	79,419,156	54,819,071	24,600,085	44.9 %
Insurance Companies Tax	9,302,655	10,595,168	(1,292,513)	(12.2)%	11,283,902	11,048,246	235,656	2.1 %
Estate Tax	6,230,757	7,923,447	(1,692,690)	(21.4)%	12,250,432	28,064,769	(15,814,337)	(56.3)%
Fines, Forfeits & Penalties	1,343,462	1,318,679	24,782	1.9 %	6,605,851	6,233,358	372,492	6.0 %
Income from Investments	4,243,917	4,462,647	(218,730)	(4.9)%	12,443,404	13,864,761	(1,421,356)	(10.3)%
Transfer from Lottery Commission	6,701,387	6,251,257	450,131	7.2 %	27,015,298	30,266,203	(3,250,905)	(10.7)%
Transfer from Liquor Commission	-	-	-	- %	7,000,000	7,000,000	-	- %
Transfers for Tax Relief Programs	(1,002,983)	(598,436)	(404,547)	(67.6)%	(1,776,991)	(2,870,971)	1,093,980	38.1 %
Transfer to Municipal Revenue Sharing	(32,967,249)	(30,576,821)	(2,390,427)	(7.8)%	(111,272,018)	(105,008,722)	(6,263,296)	(6.0)%
Auto Sales Tax Transfer to Highway Fund	(55,954,688)	(58,601,111)	2,646,424	4.5 %	(115,340,016)	(118,509,077)	3,169,062	2.7 %
Other Taxes and Fees	27,174,421	29,884,291	(2,709,869)	(9.1)%	75,321,907	74,590,923	730,983	1.0 %
Other Revenues	(10,263,664)	(12,072,027)	1,808,363	15.0 %	(31,971,002)	(33,312,271)	1,341,269	4.0 %
Total Collected	$ 481,016,760	$ 452,349,059	$ 28,667,701	6.3 %	$ 2,112,293,159	$ 1,992,638,776	$ 119,654,383	6.0 %

October FY27 Highway Fund Revenues Relative to Forecast

STATE OF MAINE
Undedicated Revenues - Highway Fund
For the Fourth Month Ended October 31, 2026
For the Fiscal Year Ending June 30, 2027
Comparison to Budget

Exhibit V

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Total Budgeted Fiscal Year Ending 6/30/2027
Fuel Taxes	$ 21,748,196	$ 20,543,342	$ 1,204,854	5.9 %	$ 87,809,482	$ 82,842,211	$ 4,967,271	6.0 %	$ 243,535,059
Motor Vehicle Registration & Fees	8,856,332	7,772,863	1,083,469	13.9 %	39,102,296	31,960,093	7,142,203	22.3 %	115,466,229
Motor Vehicle Inspection Fees	209,510	266,874	(57,364)	(21.5)%	743,577	1,067,496	(323,919)	(30.3)%	3,202,500
Miscellaneous Taxes & Fees	128,944	127,636	1,308	1.0 %	627,233	553,394	73,839	13.3 %	1,417,720
Fines, Forfeits & Penalties	112,154	151,603	(39,449)	(26.0)%	344,258	303,206	41,052	13.5 %	606,412
Earnings on Investments	252,162	104,418	147,744	141.5 %	896,439	417,677	478,762	114.6 %	1,253,021
Auto Sales Tax Transfer from General Fund	55,954,688	57,965,953	(2,011,266)	(3.5)%	115,340,016	115,295,972	44,044	- %	115,295,972
Fuel Tax Transfer to Transcap	(2,229,190)	(2,165,721)	(63,469)	(2.9)%	(9,000,472)	(9,115,516)	115,044	1.3 %	(24,962,344)
Auto Sales Tax Transfer to Transcap	(12,310,031)	(12,752,510)	442,479	3.5 %	(25,374,803)	(25,365,114)	(9,689)	- %	(25,365,114)
Transfer from Liquor Commission	5,866,257	4,756,900	1,109,357	23.3 %	16,404,768	16,101,023	303,745	1.9 %	55,000,000
All Other	683,553	823,204	(139,651)	(17.0)%	2,298,663	1,893,498	405,165	21.4 %	12,404,465
Total Collected	$ 79,272,574	$ 77,594,562	$ 1,678,012	2.2 %	$ 229,191,457	$ 215,953,940	$ 13,237,517	6.1 %	$ 497,853,920

October FY27 Highway Fund Revenues Relative to October FY26

STATE OF MAINE **Exhibit VI**

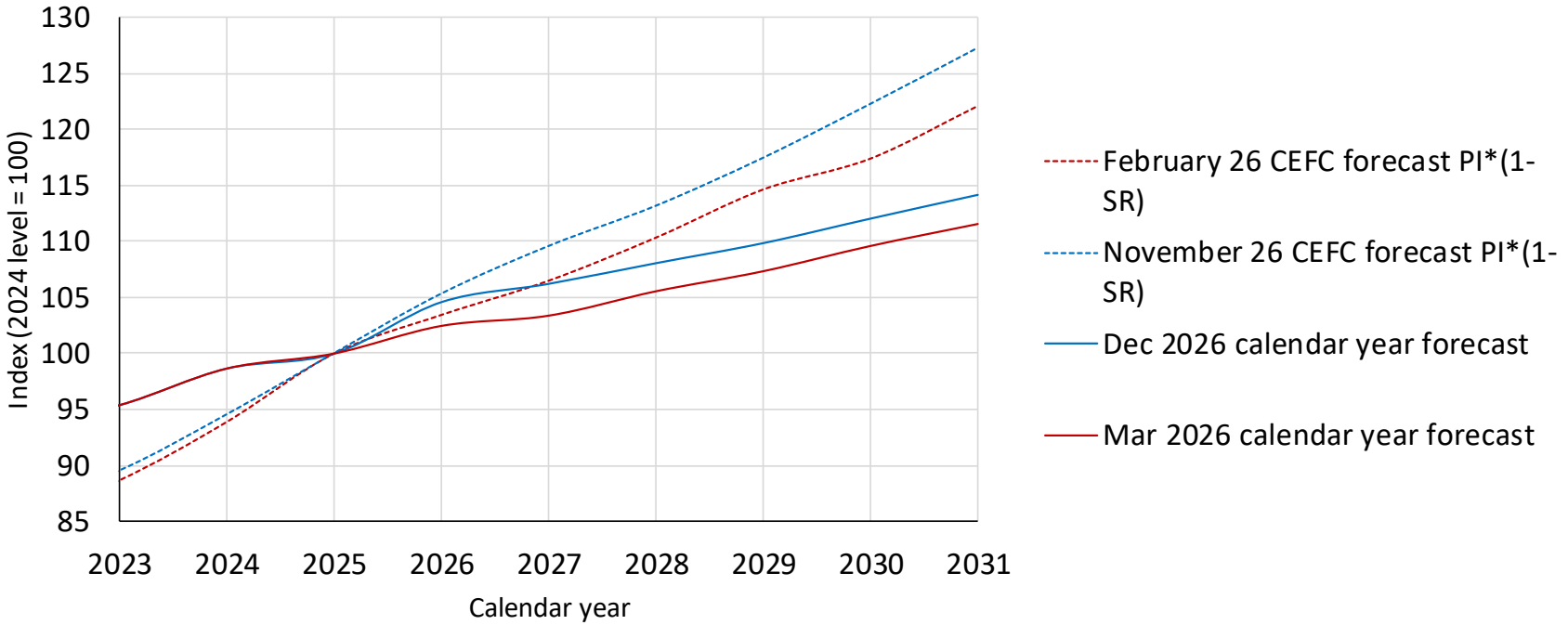
Undedicated Revenues - Highway Fund
For the Fourth Month Ended October 31, 2026 and 2025
For the Fiscal Year Ending June 30, 2027 and 2026
Comparison to To Prior Year

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date			
	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)
Fuel Taxes	$ 21,748,196	$ 21,350,409	$ 397,787	1.9 %	$ 87,809,482	$ 90,068,046	$ (2,258,564)	(2.5)%
Motor Vehicle Registration & Fees	8,856,332	10,400,764	(1,544,432)	(14.8)%	39,102,296	43,849,596	(4,747,300)	(10.8)%
Motor Vehicle Inspection Fees	209,510	400,202	(190,692)	(47.6)%	743,577	990,888	(247,311)	(25.0)%
Miscellaneous Taxes & Fees	128,944	128,408	536	0.4 %	627,233	615,594	11,639	1.9 %
Fines, Forfeits & Penalties	112,154	84,691	27,463	32.4 %	344,258	381,729	(37,472)	(9.8)%
Earnings on Investments	252,162	331,451	(79,290)	(23.9)%	896,439	1,142,425	(245,986)	(21.5)%
Auto Sales Tax Transfer from General Fund	55,954,688	58,601,111	(2,646,424)	(4.5)%	115,340,016	118,509,077	(3,169,062)	(2.7)%
Fuel Tax Transfer to Transcap	(2,229,190)	(2,195,953)	(33,238)	(1.5)%	(9,000,472)	(9,291,107)	290,635	3.1 %
Motor Vehicle Registration & Fees Transfer to Transcap	-	4,971,200	(4,971,200)	(100.0)%	-	-	-	- %
Auto Sales Tax Transfer to Transcap	(12,310,031)	(12,892,245)	582,213	4.5 %	(25,374,803)	(26,071,997)	697,194	2.7 %
Transfer from Liquor Commission	5,866,257	5,179,735	686,521	13.3 %	16,404,768	16,810,112	(405,343)	(2.4)%
All Other	683,553	724,294	(40,741)	(5.6)%	2,298,663	2,543,627	(244,963)	(9.6)%
Total Collected	$ 79,272,574	$ 87,084,068	$ (7,811,494)	(9.0)%	$ 229,191,457	$ 239,547,990	$ (10,356,533)	(4.3)%

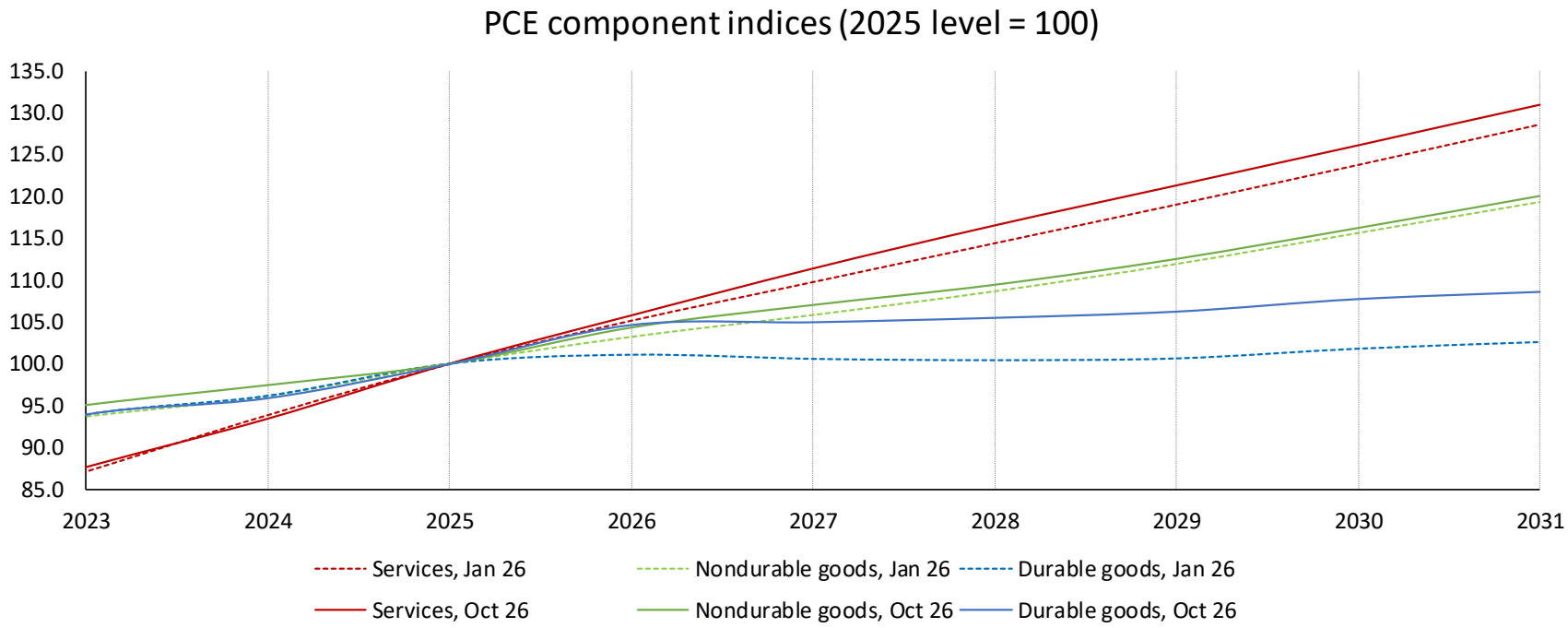
Sales & Use Tax and Service Provider Tax

Forecast of Revenue and Consumer Spending



- New CEFC forecast implies higher consumer spending in each year.
- Higher overall spending and a shift towards Durable Goods spending give positive revisions throughout the forecast period.

PCE Composition – Moody's baseline forecast



- New PCE forecast features higher spending in all categories, with the largest proportional increase in Durable Goods.

Sales and Use Tax History and Forecast
$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$2,313.91	2.28%		
2026	$2,392.35	3.39%	$15.19	0.64%
2027	$2,503.82	4.66%	$63.31	2.59%
2028	$2,556.58	2.11%	$67.62	2.72%
2029	$2,588.12	1.23%	$59.84	2.37%
2030	$2,637.09	1.89%		
2031	$2,688.95	1.97%		

- FY26 finished $15.19 million over budget.
- FY27 through October was $22.66 million over budget, forecast to end $63.31 million over, with similar positive revisions in FY28 and FY29.
- Elevated growth rates in FY26 and FY27 from policy changes.

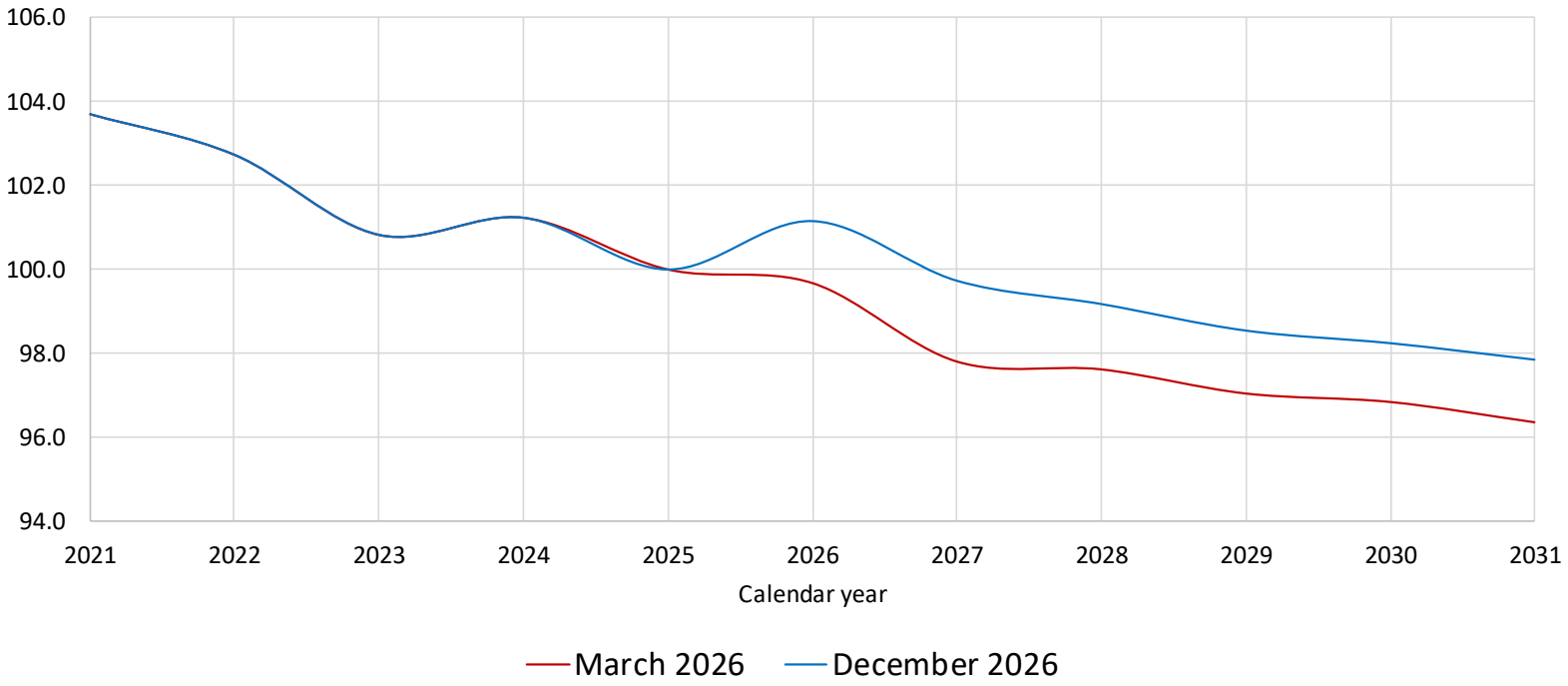
Source of Forecast Adjustments

$million
(%)

	2026	2027	2028	2029
Non-auto 5.5% Sales	$11.8 (0.8%)	$44.4 (3.0%)	$47.7 (3.1%)	$46.2 (3.0%)
Auto Sales 5.5%	$0.7 (0.2%)	-$6.4 (-2.1%)	-$1.6 (-0.5%)	-$0.8 (-0.3%)
Lodging 9%	$2.5 (1.4%)	$14.9 (8.1%)	$10.0 (5.2%)	$4.9 (2.4%)
Prepared Food 8%	-$0.1 (0.0%)	$8.7 (2.2%)	$10.7 (2.6%)	$9.0 (2.1%)
Short-term auto rental 10%	$0.1 (0.3%)	$1.8 (8.8%)	$0.4 (2.1%)	$0.1 (0.4%)
Adult use cannabis 14%	$0.3 (1.0%)	-$0.3 (-0.7%)	$0.2 (0.5%)	$0.3 (0.7%)

- Biggest source of revision is non-auto 5.5% sales, with the main contributions coming from subcategories Business Operations, General Merchandise, Other Retail, and Utilities.
- Strong tourist season this year yields large positive revisions for Lodging and Short-Term Auto Rental in the earlier forecast years.

Inflation-adjusted Sales & Use Tax Revenue



- 2.60% average inflation in CY2025 – 2031, up from 2.47% in the previous forecast.
- 2.23% average annual growth in nominal revenue CY2025-2031, up from 1.84% in the previous forecast.

Individual Income Tax

Individual Income Tax History and Forecast
$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Annual Growth Estimate w/o Disaster Relief*	Revision to current forecast ($)	Revision to current forecast (%)
2021	$2,069.7	12.7%	12.7%		
2022	$2,580.7	24.7%	24.7%		
2023	$2,473.5	-4.2%	-4.2%		
2024	$2,389.0	-3.4%	0.0%		
2025	$2,724.0	14.0%	6.7%		
2026	$2,843.5	4.4%	7.7%		
2027	$2,997.2	5.4%	5.4%	$11	0.4%
2028	$3,025.4	0.9%	0.9%	$65	2.1%
2029	$3,155.0	4.3%	4.3%	$46	1.5%
2030	$3,275.0	3.8%	3.8%		
2031	$3,403.0	3.9%	3.9%		

*Estimated growth without the disaster-related payment deadline extensions that shifted revenue from FY 2024 to FY 2025.

Legislate Changes: Pass-Through Entity Tax (PTET)

Maine tax if entity does not elect PTET

PTE

↓

Income
(excluding any state tax deductions)

↓

Individual Owner

↓

Maine Individual Income Tax

Maine tax if entity elects into PTET

PTE → Pass-through entity tax

↓

Income
(excluding any state tax deductions)

↓

Individual Owner

↓

Maine Individual Income Tax
Minus 90% Credit for PTET

Maine introduced an elective pass-through entity tax for tax years beginning in 2026.

Legislate Changes: Pass-Through Entity Tax (PTET)

- PTET revenue is booked as individual income tax revenue.

- The introduction of the PTET increases uncertainty about the FY 2027 – FY 2028 revenue split and within FY 2027 revenue timing and complicates interpretation of revenue data.
  - Revenue shifts from individual payments and withholding accounts to PTET
  - Expect double payments for tax year 2026: entity and individual pay tax on the same income
  - Generates large individual refunds, but many not be paid until the 2026 individual return is filed on extension in FY 2028.

- In long run, the PTET should result in a modest revenue increase.

Pass-Through Entity Tax Estimates ($million)

	2026	2027	2028	2029	2030	2031
PTET Revenue by Tax Year	$230.6	$243.0	$254.9	$270.5	$296.9	$311.6
IIT Change by Tax Year*	-$216.8	-$228.2	-$239.3	-$253.7	-$277.6	-$291.2
Tax Year Net Impact	$13.8	$14.7	$15.6	$16.8	$19.2	$20.3
Fiscal Year Revenue Estimate	$0.0	$44.3	-$10.3	$16.0	$17.7	$19.6

*Reduction from the refundable credit for the Maine PTET and the increase in the Maine tax credit for income tax paid to other jurisdictions resulting from allowing the credit for the distributive share of non-Maine PTETs that are substantially similar to Maine's PTET when the other state has an individual income tax.

Legislate Changes: Surtax

- For tax years beginning 2026 and later, Maine imposes a 2% surtax on taxable incomes above $1 million (single) or $1.5 million (married joint).

Updated Surtax Estimates ($million)

	2026	2027	2028	2029	2030	2031
Surtax Revenue by Tax Year	$76.9	$79.4	$79.1	$82.2	$86.7	$91.2
Surtax Revenue by Fiscal Year	$0	$100.7	$79.3	$80.0	$83.5	$88.0

Legislative Changes: OB3 Conformity

- Conform to the increased federal standard deduction in 2027. In 2026, increase standard deduction halfway between old Maine standard deduction and new federal standard deduction.
  - Around $30M revenue loss per fiscal year starting FY 2027

- Full conformity to research expense deduction changes for small businesses, including the ability to accelerate deductions for prior years. Full conformity phases in for other taxpayers.

- Full conformity with increases in Section 179 deduction limits.

- Numerous other changes.

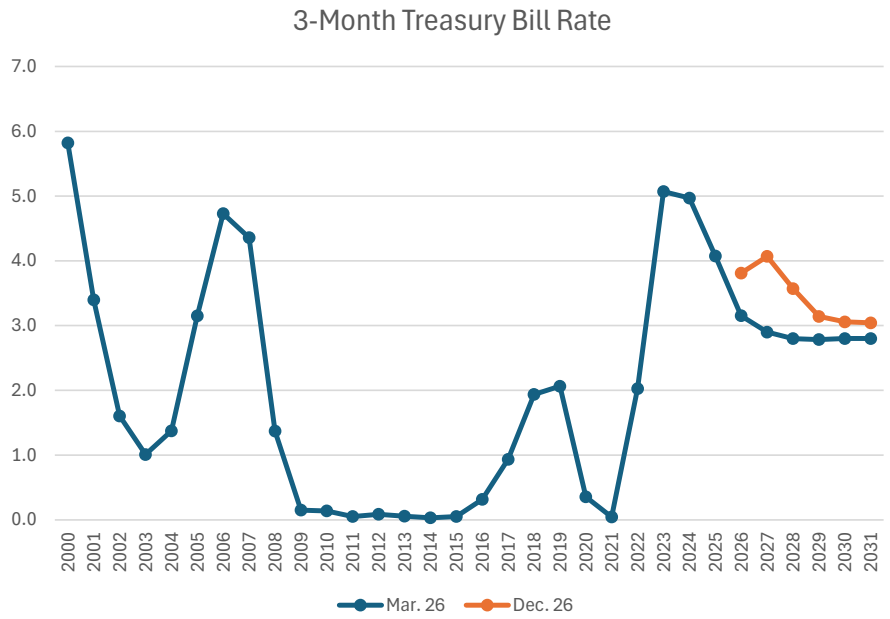
Individual Income Tax Forecast Main Points

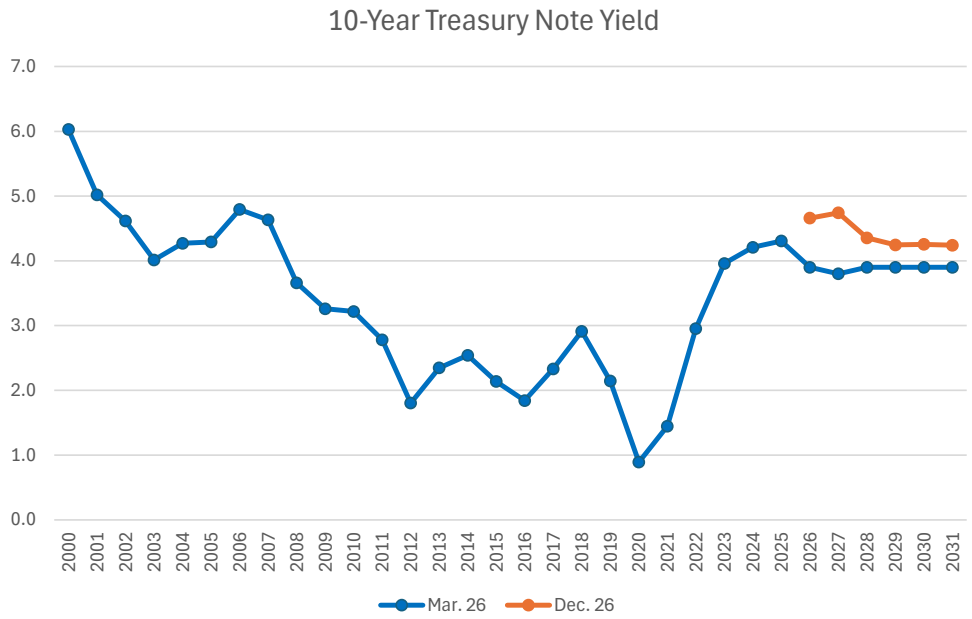
- Tax year 2025 tax liability was lower than expected, largely because business income, capital gains, and nonresident tax liability were below expectations.

- In tax year 2026 we forecast higher growth in capital gains, business income, taxable IRA distributions, and taxable interest than prior forecast.

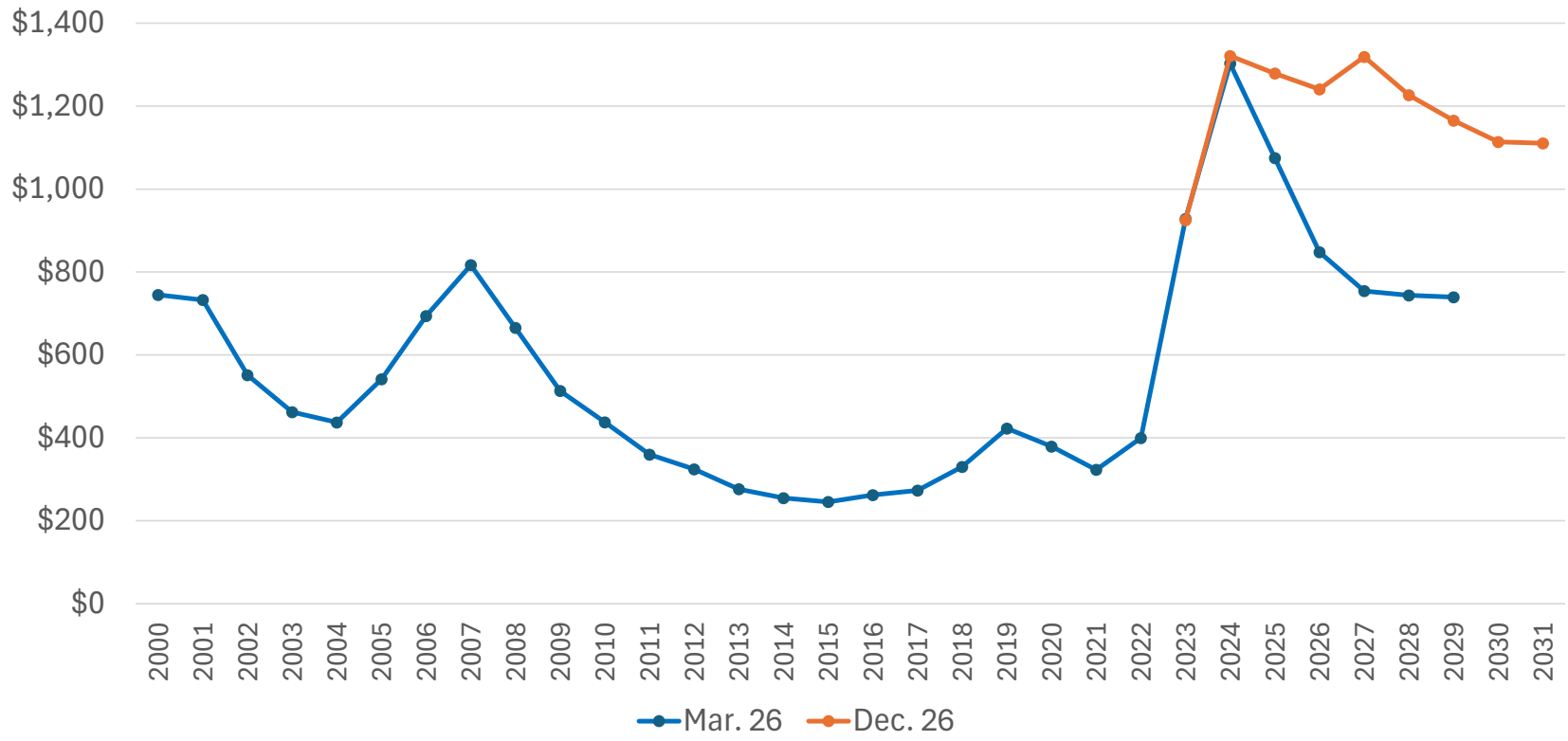
- Changes to 2026 and later growth rates in the new economic forecast influence the revenue forecast. These changes have impacts in both directions and overall have a small impact.

Interest Rate History and CEFC Forecast

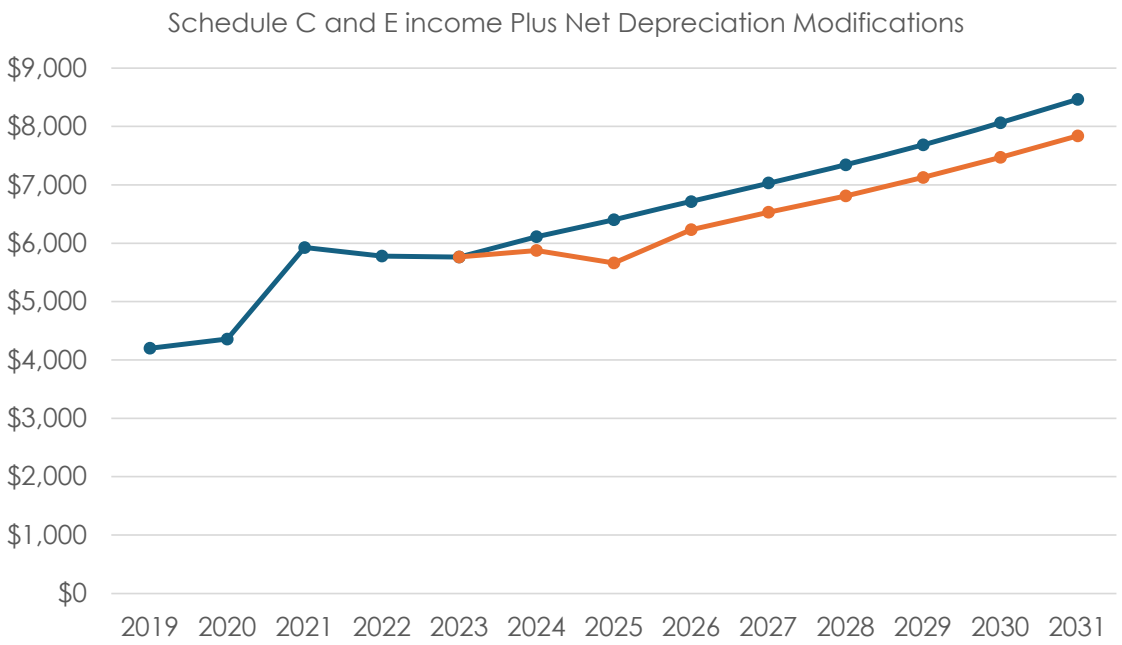




Taxable Interest Income ($million)

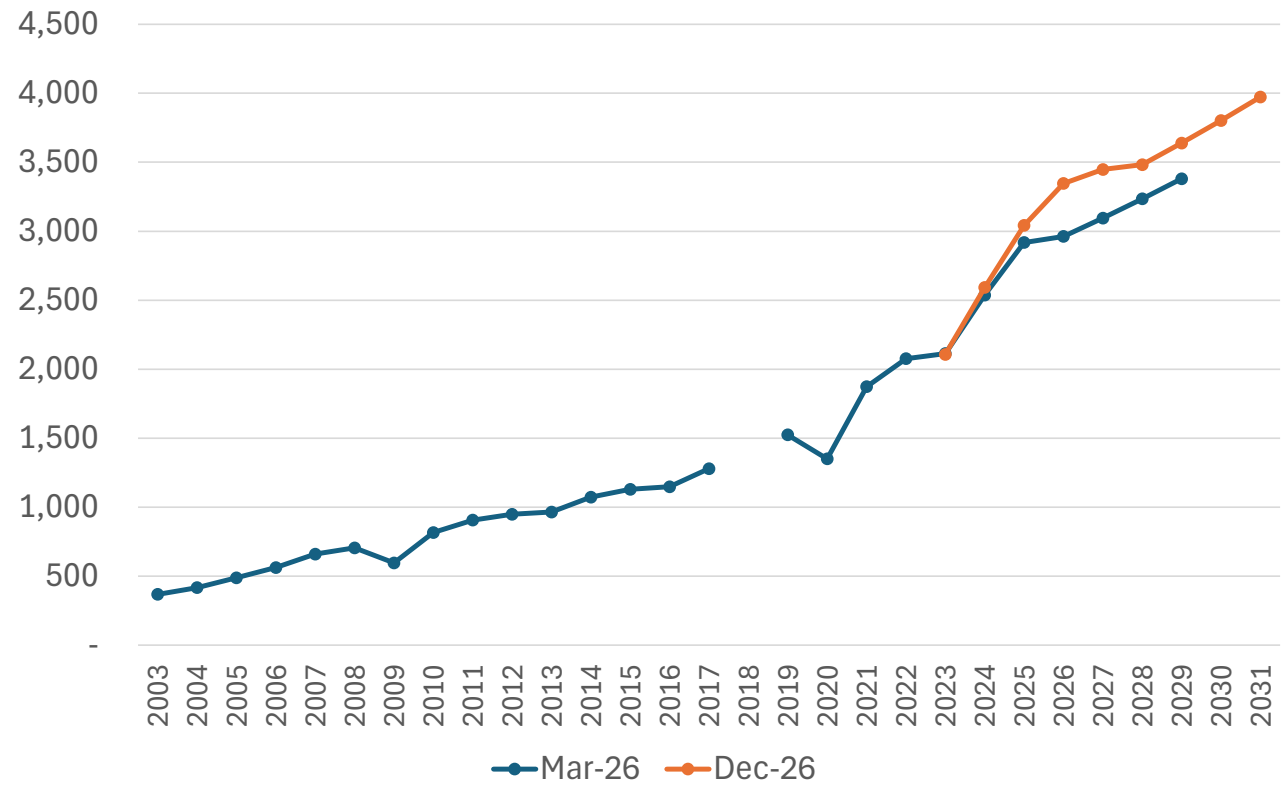


Business Income



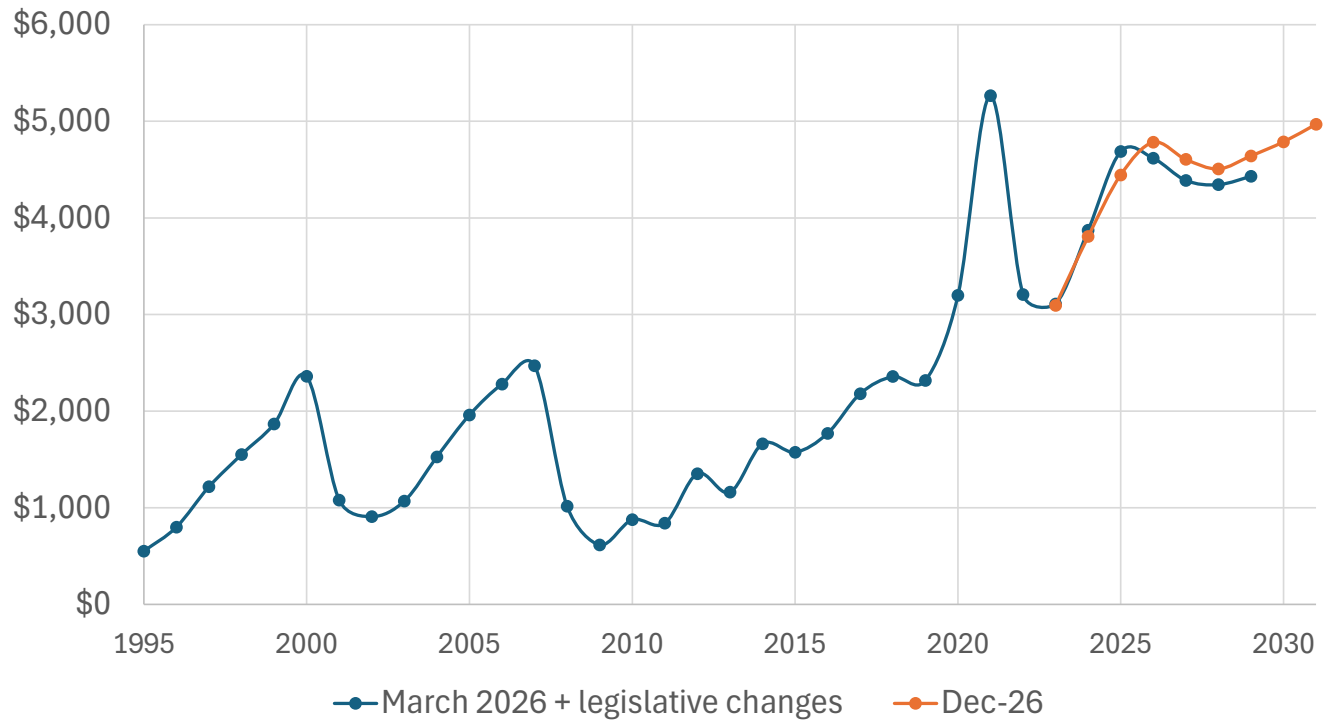
- We estimate that resident Schedule E income fell 7.2% and Sch E + Sch C + depreciation modifications ("net business income") fell 3.6% in 2025.
  - OB3 policy changes, particularly research expense deductions, likely contribute to this decline.
- Forecast assumes Schedule E income grows 13.7% and net business income grow 10% in 2026.
- Net business income is about 7% lower than prior forecast 2026 onwards.

Taxable IRA Distributions ($million)

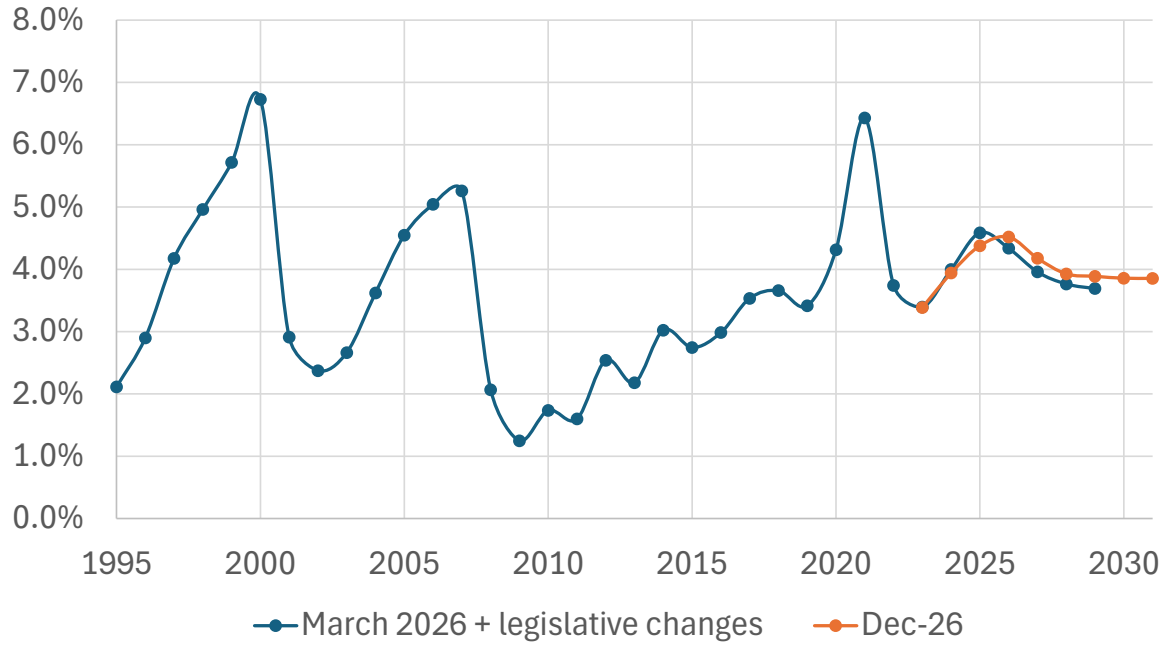


- We estimate that resident taxable IRA distributions increased 23% in 2024 and 17% in 2025.
- Prior forecast anticipated high growth in 2025 but assumed a slowdown in 2026.
- New forecast assumes 10% growth in 2026 based on 2026 withholding growth from retirement account distributions.

Resident Capital Gains ($million)



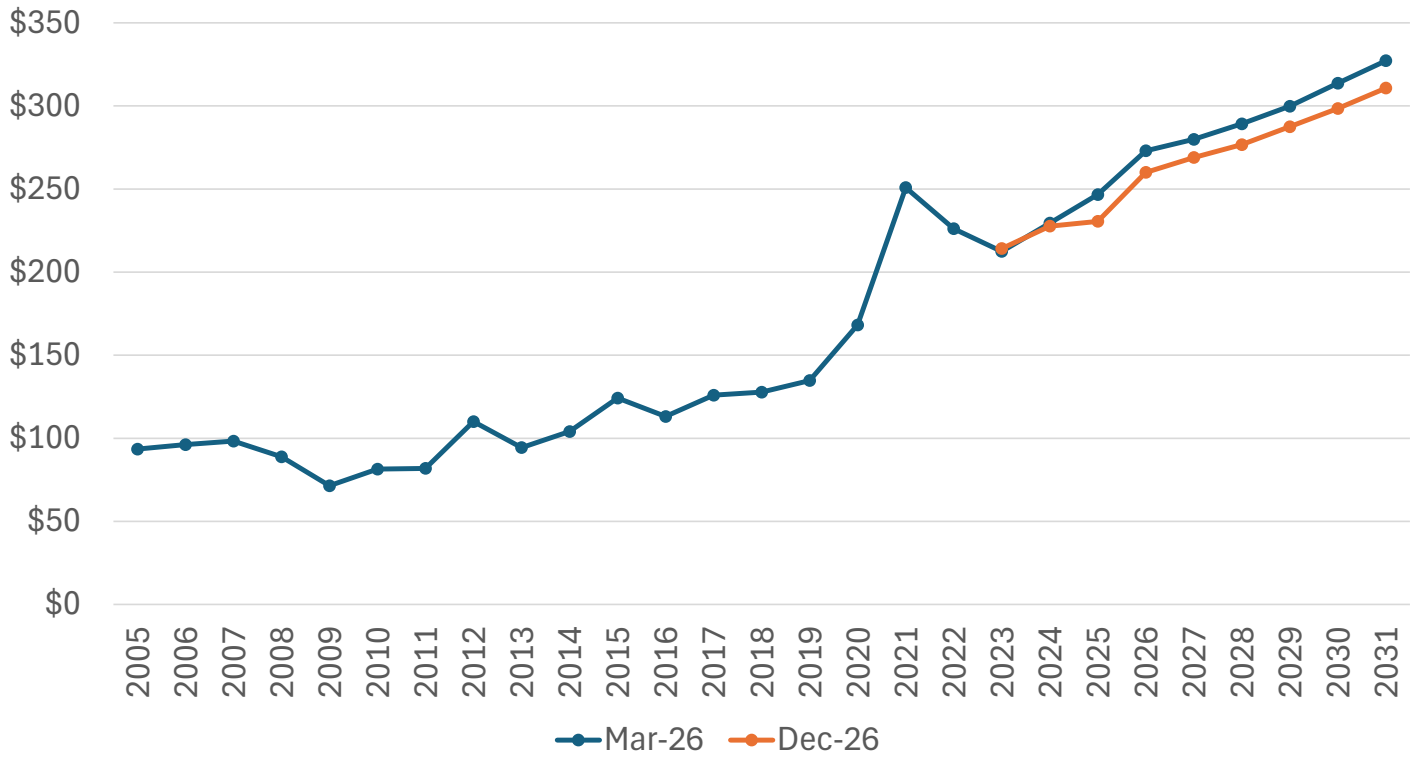
Resident Capital Gains, Share of Personal Income



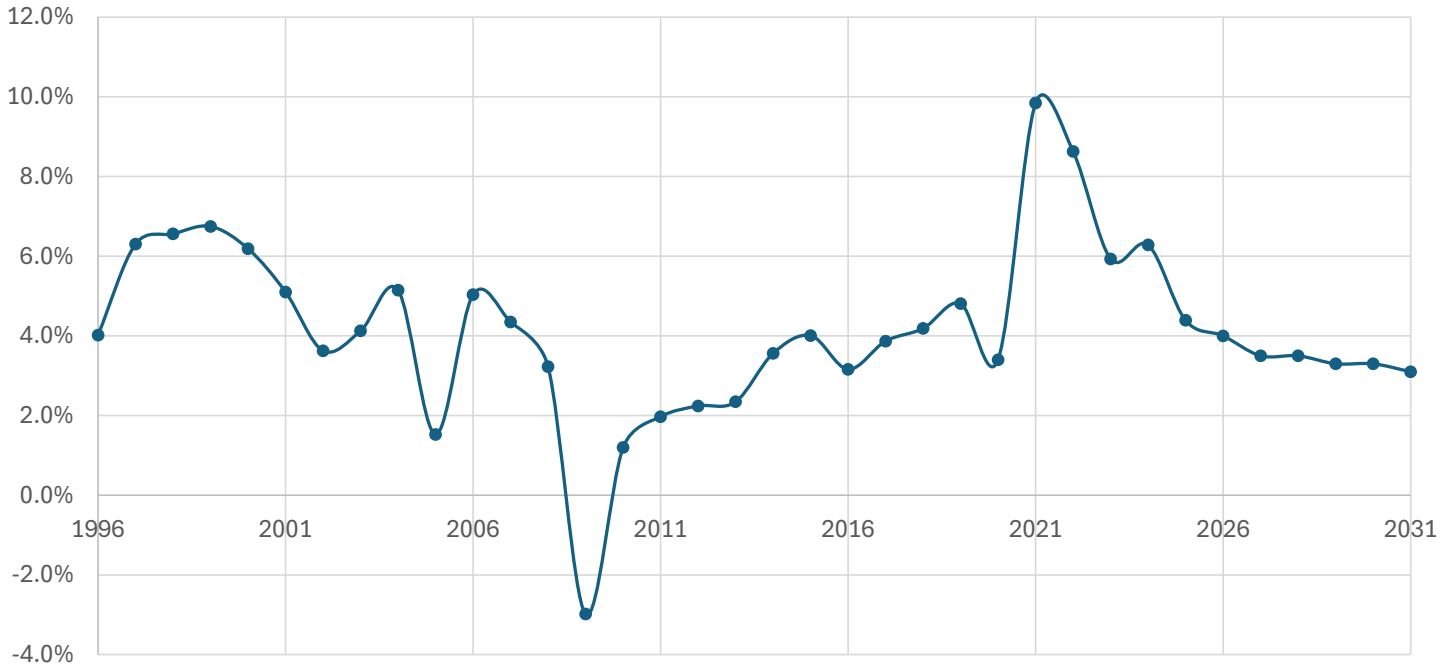
Tax Year	Annual Growth	Change in FYR Tax Liability Forecast*
2020	38.0%	
2021	64.6%	
2022	-39.1%	
2023	-3.5%	$2.2
2024	23.1%	-$1.3
2025	16.7%	-$17.4
2026	7.6%	$14.3
2027	-3.7%	$28.1
2028	-2.1%	$23.5
2029	3.0%	$27.7
2030	3.1%	
2031	3.8%	

Tax Liability Other Than Full-Year Residents

($million, before PTET adjustments)



Wage and Salary Income Annual Growth: History and CEFC Forecast



Tax Credits

- Property tax fairness credit
  - Upward revision in tax year 2025 of $7 million. 2026 -2029 revisions ranges from +$4M to +$16M.
  - Projected $150M credit in 2026 after maximum credit increase. Was $81M in 2023.

- Student loan repayment tax credit
  - Estimated 10.9% growth in 2025, from $61.5M to $68.1M
  - Unwinding of SAVE Plan should contribute to high growth in 2026 and 2027.
  - Forecast $78.2M in 2026 and $90.2M in 2027.

Tax Liability Forecast Excluding PTET Credit

($million)

	Tax Liability Before Refundable Credits, Ignoring PTET Effects					IIT + PTET Tax Liability After All Credits	
Tax Year	Full-Year Resident	Not Full-Year Resident	Total	Growth	Refundable Credits***	Total	Growth
2023	$2,262.0	$219.5	$2,481.5	3.7%	$210.4	$2,271	2.8%
2024*	$2,494.3	$234.2	$2,728.5	10.0%	$355.9	$2,373	4.5%
2025	$2,665.7	$238.5	$2,904.2	6.4%	$386.3	$2,518	6.1%
2026**	$2,866.6	$267.9	$3,134.5	7.9%	$412.4	$2,740	8.8%
2027	$2,962.3	$276.9	$3,239.2	3.3%	$445.8	$2,814	2.7%
2028	$3,044.8	$284.6	$3,329.5	2.8%	$459.9	$2,893	2.8%
2029	$3,160.2	$295.4	$3,455.6	3.8%	$474.5	$3,008	4.0%
2030	$3,277.4	$306.4	$3,583.8	3.7%	$486.7	$3,126	3.9%
2031	$3,409.0	$318.7	$3,727.7	4.0%	$496.8	$3,262	4.3%

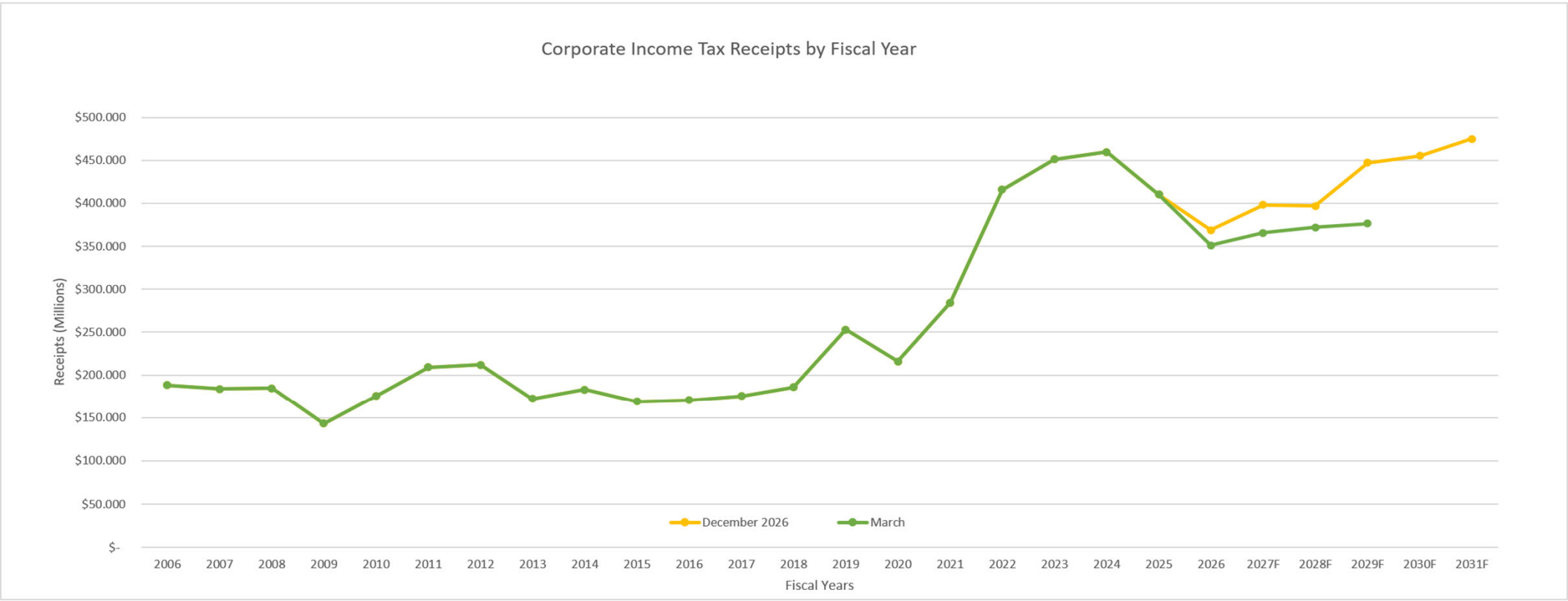
*In 2024 the dependent exemption credit became refundable for residents. If the credit had remained nonrefundable then FYR tax liability before refundable credit growth is estimated to be 7.6%.

**Without the new surtax, 2026 income tax growth after refundable tax credits is 4.9%.

***Excluding the tax credit for the distributive share of the Maine PTET.

Corporate Income Tax

Corporate Income Tax History and Forecast



Corporate Income Tax History and Forecast

CY Pre-Tax Profits	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2028F	2029F
Feb. 2026 CEFC Forecast	**30.8%**	**8.4%**	**4.6%**	**8.4%**	0.5%	2.0%	2.0%	2.0%	2.0%		
Nov. 2026 CEFC Forecast	**33.5%**	**7.2%**	**5.1%**	**7.9%**	**1.8%**	18.0%	5.0%	5.0%	5.0%	4.0%	4.0%

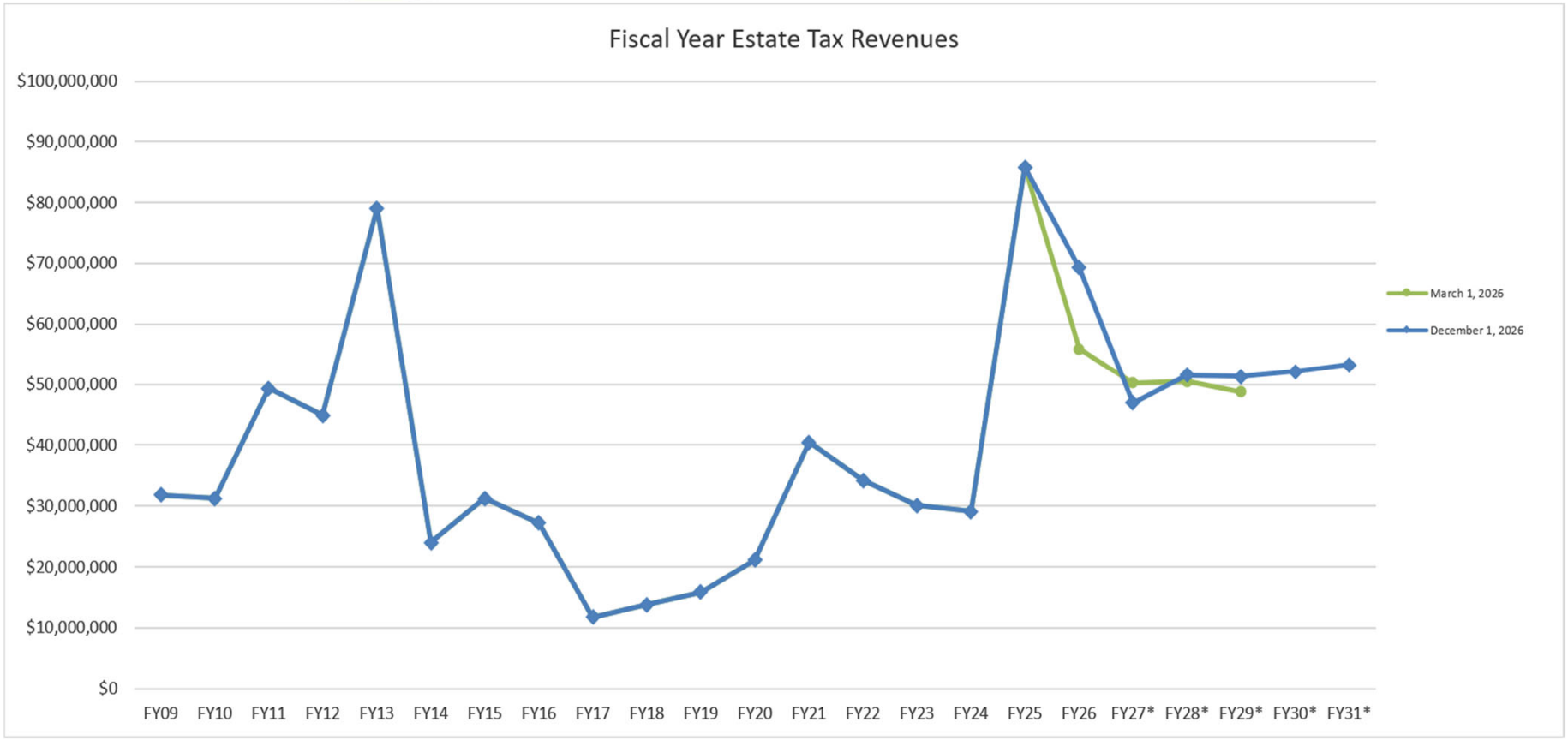
TY Liability ($M)	2021	2022	2023	2024	2025F /1	2026F /1	2027F /1	2028F /1	2029F /1	2030F /1	2031F/1
March 2026 RFC Forecast	**$ 332.4**	**$ 436.7**	**$ 412.0**	$ 423.4	$ 415.5	$ 413.8	$ 419.1	$ 427.4	$ 436.0	$ -	$ -
		31.4%	**-5.7%**	2.7%	-1.9%	-0.4%	1.3%	2.0%	2.0%		
Dec. 2026 RFC Forecast	**$ 334.5**	**$ 436.1**	**$ 415.1**	**$ 398.0**	$ 395.2	$ 456.3	$ 479.1	$ 503.1	$ 528.2	$ 549.3	$ 571.3
		30.3%	-4.8%	-4.1%	-0.7%	15.5%	5.0%	5.0%	5.0%	4.0%	4.0%

FY Revenue ($M)	2021	2022	2023	2024	2025	2026	2027F	2028F	2029F	2030F	2031F
March 2026 RFC Forecast	**$ 284.3**	**$ 415.8**	**$ 451.2**	**$ 459.8**	**$ 410.1**	$ 350.9	$ 365.6	$ 372.2	$ 376.4	$ -	$ -
	31.5%	**46.3%**	**8.5%**	**1.9%**	**-10.8%**	-14.4%	4.2%	1.8%	1.1%		
Dec. 2025 RFC Forecast	**$ 284.3**	**$ 415.8**	**$ 451.2**	**$ 459.8**	**$ 410.1**	**$ 368.7**	**$ 398.0**	**$ 397.0**	**$ 447.0**	**$ 455.0**	**$ 475.0**
	31.5%	**46.3%**	**8.5%**	**1.9%**	**-10.8%**	**-10.1%**	7.9%	-0.3%	12.6%	1.8%	4.4%
Difference						***$ 17.8***	***$ 32.4***	***$ 24.8***	***$ 70.6***	***$ 455.0***	***$ 475.0***

1/ Does not include the Dirigo Investment Credit, growth in other credits, and impact of conformity to OBBBA. These revenue impacts are layered onto the fiscal year revenue foreca

Estate Tax

Estate Tax History and Forecast



Estate Tax History and Forecast

	Actual			March 1, 2026 Forecast				December 1, 2026 Forecast				
Calendar Year	Exemption Amount	Liability /1 /2	Fiscal Year Receipts	Exemption Amount	Forecasted Increase in HH Net Worth	Forecasted Liability	Forecasted Fiscal Year Receipts	Exemption Amount	Forecasted Increase in HH Net Worth	Forecasted Liability	Forecasted Fiscal Year Receipts	Difference in Fiscal Year Receipts
2018	$ 5,600,000	$ 22,055,650	$ 13,801,409									
2019	$ 5,700,000	$ 14,143,679	$ 15,851,350									
2020	$ 5,800,000	$ 44,293,194	$ 21,079,344									
2021	$ 5,870,000	$ 47,308,346	$ 40,399,594									
2022	$ 6,010,000	$ 12,956,453	$ 34,183,165									
2023	$ 6,410,000	$ 43,495,245	$ 30,117,577									
2024	$ 6,800,000	$ 81,348,578	$ 29,051,766									
2025	$ 7,000,000	$ 29,964,038	$ 85,835,306	$7,000,000	9.2%	$ 50,800,000		$ 7,000,000	8.0%	$ 48,852,353		
2026	$ 7,160,000	$ 1,831,252	$ 69,284,885	$7,160,000	0.8%	$ 50,000,000	$ 55,930,000	$ 7,160,000	8.7%	$ 52,005,423	$ 69,284,885	$ 13,354,885
2027	$ 7,380,000			$7,350,000	1.9%	$ 50,600,000	$ 50,200,000	$ 7,380,000	0.2%	$ 51,355,356	$ 46,920,000	$ (3,280,000)
2028				$7,560,000	3.6%	$ 48,100,000	$ 50,450,000	$ 7,620,000	3.1%	$ 51,319,407	$ 51,520,000	$ 1,070,000
2029				$7,750,000	4.3%		$ 48,730,000	$ 7,820,000	4.7%	$ 52,371,455	$ 51,330,000	$ 2,600,000
2030							$ -	$ 8,000,000	4.5%	$ 53,523,627	$ 52,110,000	$ 52,110,000
2031							$ -	$ 8,180,000			$ 53,240,000	$ 53,240,000

1/ Subject to change because of amended returns

2/ Returns filed and posted through November 9, 2026

Other Taxes

Insurance Premiums Tax

- Small upward revisions in FY 27 (+$116,000) and FY 28 (+$1.625 million).

- Larger upward revision in FY 29 (+$12.71 million) due to reduction in forecast of New Markets Tax Credit (NMTC).
  - 2026 is first year of round 2 investments for NMTC.
  - The credit for investments certified in 2026 are claimed over five years starting two years after the investment.
  - We expect most NMTCs to be claimed against the premiums tax.
  - Tax year 2028 credits against premiums tax will be paid in FY 2029.
  - 2026 certified investments are lower than expected.

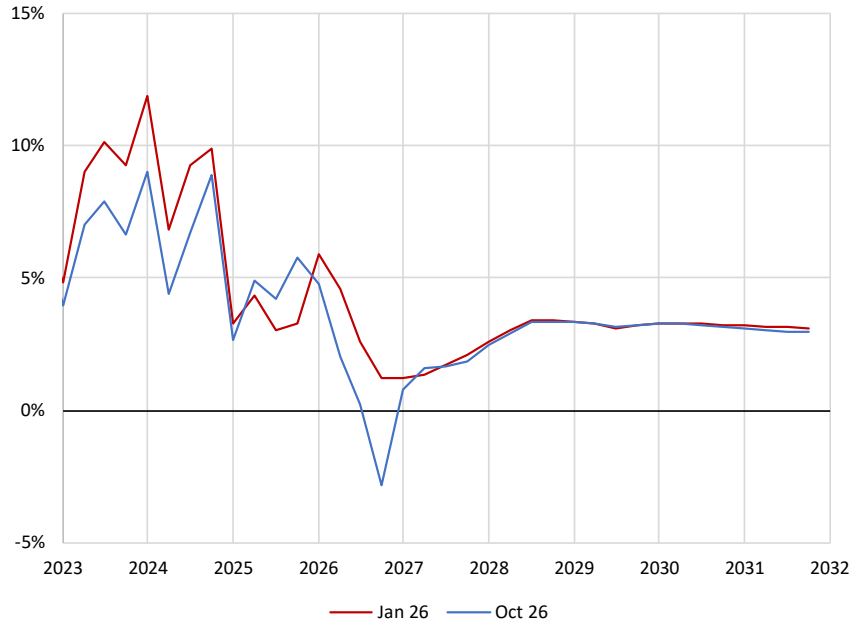
Real Estate Transfer Tax

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$22.17	8.47%		
2026	$26.28	18.54%	3.684	16.3%
2027	$20.33	-22.63%	2.014	11.0%
2028	$15.59	-23.32%	2.106	15.6%
2029	$16.82	7.88%	2.794	19.9%
2030	$17.77	5.66%		
2031	$18.42	3.67%		

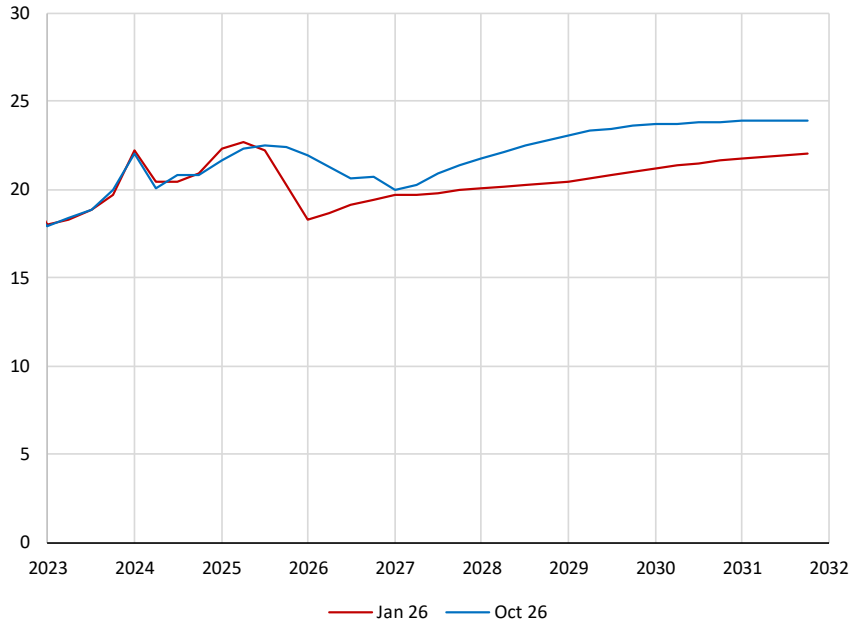
- The swings in annual growth result mostly from policy changes.
- FY26 finished $3.684 million over budget.
- FY27 through October is $976K over budget. Forecast to finish $2 million over, with positive revisions through the remainder of the forecast.

Real Estate Transfer Tax Drivers

Median price (YoY % growth)



Home sales (#, thousands)



- Compared to their January forecast, Moody's October home price forecast projects similar growth throughout the forecast period.
- October forecast has higher home sales throughout the forecast period.

BETE

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$69.78	7.72%		
2026	$66.53	-4.65%	-$0.29	-0.43%
2027	$68.62	3.13%	-$2.31	-3.25%
2028	$71.46	4.14%	-$1.81	-2.47%
2029	$73.00	2.16%	-$2.46	-3.26%
2030	$73.89	1.22%	$73.89	
2031	$74.87	1.33%	$74.87	

- Reimbursements in FY26 totaled $290K less than forecast.
- Subset of 2026 MVRs suggest total reimbursements for FY27 will be less than projected in the March forecast.
- Similar growth rates to the March forecast give reductions in reimbursements throughout the forecast period.

Cigarette, Tobacco, and Cannabis Excise Taxes

$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$146.99	1.97%		
2026	$178.27	21.28%	($3.745)	-2.06%
2027	$217.20	21.84%	$0.335	0.15%
2028	$215.44	-0.81%	$0.942	0.44%
2029	$212.75	-1.25%	$0.780	0.37%
2030	$210.13	-1.23%	$210.13	
2031	$207.58	-1.22%	$207.58	

- Annual growth rate was elevated in FY25 by the application of the Tobacco Tax to synthetic nicotine products.
- Growth rates in FY26 and FY27 are elevated by the rate increase effective January 2026.

Source of Forecast Adjustments

$million
(%)

	2026	2027	2028	2029
Cigarette tax	-$4.09 (-3.48%)	-$0.56 (-0.40%)	$0.20 (0.15%)	$0.33 (0.25%)
Tobacco products tax	$0.16 (0.32%)	$0.72 (1.14%)	$0.76 (1.16%)	$0.40 (0.59%)
Adult use cannabis excise	$0.18 (1.14%)	$0.17 (1.30%)	-$0.01 (-0.10%)	$0.05 (0.37%)

- Excluding policy changes, Cigarette Tax has been steadily declining since FY2020. New forecast projects slightly slower decline, but slightly lower revenue gain from the rate increase.
- Very little change to growth rate in Tobacco Tax, but slightly higher revenue gain from the rate increase.
- Cannabis Excise Tax has been slightly over budget since the March forecast, giving a slight positive revision in FY27, but slower projected growth in sales eliminates the positive revision by FY28.

Gas Tax
$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$201.86	0.78%		
2026	$201.10	-0.38%	($0.052)	-0.03%
2027	$200.02	-0.54%	($1.785)	-0.88%
2028	$200.95	0.46%	($0.833)	-0.41%
2029	$200.87	-0.04%	($0.883)	-0.44%
2030	$200.80	-0.04%		
2031	$200.72	-0.04%		

- Gas Tax finished FY26 $52K under budget. FY27 revenue through October is $1.291 million under budget and is forecast to finish $1.785 under.
- Revenue is projected to partially recover as prices moderate in FY28, giving smaller negative revisions in the remaining years.

Special Fuel Tax

$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast ($)	Revision to current forecast (%)
2025	$55.97	4.70%		
2026	$53.68	-4.10%	($1.792)	-3.23%
2027	$53.31	-0.69%	($3.116)	-5.52%
2028	$53.79	0.90%	($2.864)	-5.06%
2029	$53.85	0.10%	($3.038)	-5.34%
2030	$53.91	0.10%		
2031	$53.96	0.10%		

- Special Fuel Tax finished FY26 $1.792 million under budget. FY27 revenue through October is $1.360 million under and is forecast to end the year $3.116 million under.
- As with the Gas Tax, revenue is projected to slightly rebound as prices moderate, giving slightly smaller negative revisions in later forecast years.