

PROVISIONS IN THE SUPPLEMENTAL BUDGET

1/26/21

jsj/OFPR

TAXATION COMMITTEE

1/26/21 DISCUSSION

		Budget proposal	MRS estimated revenue impact	Change package	Recommendation
PART A					
Maine Board of Tax Appeals p. A-4	Reduces funding to align with projected expenses	FY 22 (\$20,000)			
Mandate reimbursement BETE p. A-4	Reduces funding to align with projected expenses	FY 22 (\$1,910)			
Revenue Services, Bureau of p. A-5	Reduces funding to align with projected expenses				
	Contracted consulting services	FY 22 (\$600,200)			
	Contracted services	FY 22 (\$471,206)			
	Contracted services temporary staff	FY 22 (\$197,266)			
	Debt retirement	FY 22 (\$379,800)			
Snow grooming PTE reimbursement P. a-5	50% reimbursement for property tax exemption	FY 22 (\$3,000)			
Waste facility PTE reimbursement 9. A-6	50% reimbursement for property tax exemption for animal waste storage facilities	FY 22 (\$1,219)			

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Revenue sharing p. A-83	<p><u>CURRENT LAW:</u> Percentage of tax base from income tax, sales tax and portion of service provider tax transferred to Local Government for state-municipal revenue sharing: FY 21 3.75% FY 22 5% FY 23 5%</p> <p><u>State municipal revenue sharing (Rev1)</u> -- 80% of revenue sharing funding is distributed to municipalities based upon population and relative property tax burden (Rev 1)</p> <p><u>Disproportionate tax burden fund (Rev2)</u> -- 20% of revenue sharing funding is distributed to municipalities with a mill rate exceeding 10 mils based on population and the portion of their mil rate exceeding 10 mills.</p>	<p>Changes to allocations for FY 21 to bring them into line with projected available revenue</p> <p>(\$20, 190, 003)</p> <p>\$1,960,541</p>		<p>Changes requested to correct a calculation error in the original bill</p> <p>(\$10,891,763)</p> <p>\$4,285,101</p>	
PART B INCOME TAX CONFORMITY					
Language p. 1	<p><u>CURRENT LAW</u> Income Tax conformity is tied to the Internal Revenue Code as on 12/31/19</p>	<p>Changes date of conformity from 12/31/19 to 12/31/20.</p> <p>Applies retroactively to tax years beginning on or after 1/1/18.</p>	FY 22 (\$1,780,625)		
PART D					

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CARES RELATED BUSINESS LOSSES					
Language p. 10	CARES ACT	<u>Individual income tax</u> Requires 1. an addition modification for <u>federal excess business losses</u> allowed to noncorporate taxpayers pursuant to the CARES Act for tax years beginning 1/1/18 to 12/31/20; and 2. a subtraction modification for the carryover and subtraction of amounts added		Clarifies wording and corrects indentation CP p. 1-2	
PART E CARES RELATED BUSINESS INTEREST DEDUCTION					
Language p. 10-11	CARES ACT	Requires 1. An addition modification for <u>federal business interest deduction</u> that exceeds 30% of adjusted taxable income pursuant to the CARES Act for tax years beginning 1/1/18 to 12/31/20; and 2. A subtraction modification for the carryover and subtraction of amounts added		Corrects indentation CP p. 3-4	

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PART F MAINE CAPITAL INVESTMENT CREDIT					
Language p. 12		Excludes <u>qualified improvement property</u> placed in service after 12/31/17 and before 1/1/20 from the Maine Capital Investment Credit		Corrects indentation and formatting CP p. 6-7	
PART G CARES RELATED CHARITABLE DEDUCTION					
Language p. 12-13		1. Addition modification for the <u>additional charitable contribution deduction allowed to corporations</u> under CARES; and 2. Subtraction modification for the carryover and subtraction of this amount in future years		Corrects indentation CP p.8-9	
PART H CARES RELATED NET OPERATING LOSS LIMITATION					
Language p. 13		Updates and simplifies income tax by conforming to the federal <u>net operating loss limitation and the CARES suspension of the limitation</u> Applies retroactively to 1/1/18			

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PART I CARES RELATED RESIDENCY/REMOTE WORK					
Language 14-15		<p>1. Provides that the income of <u>certain individuals working remotely in Maine</u> for an employer in another state is sourced to the other state if the employee worked in the other state before state of COVID-19 emergency. Allows credit for taxes paid to other state.</p> <p>2. Allows <u>individual who was qualified for Educational Opportunity Tax Credit</u> to maintain eligibility by being considered to be working in Maine during the COVID-19 emergency if the employee was considered to be working in Maine before or during the COVID-19 state of emergency.</p>			
PART K CONTRACT FOR MRS TECHNOLOGY UPGRADES					
Language p. 15-16		Extends from 7/1/21 to 7/1/23 the time to repay previously authorized financial agreement for the acquisition, licensing, installation, implementation, maintenance and support of			

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		computer hardware, software and other systems to support MRS tax collection efforts			
NEW PART U Foreign income CP p. 10				Expands addition modification for the amount of global intangible low-taxed income deduction to include the total amount of foreign-derived intangible income (FDII) and global intangible low-taxed income deduction claimed under the Code.	
NEW PART V PPP loans/expenses CP p.11-12	Paycheck Protection Program loans			Requires addition modification for PPP loans that are expected to receive forgiveness treatment to the extent that a deduction is claimed for expenses that qualify for and are a basis of the loan forgiveness.	
NEW PART W Other forgivable loans CCA CP p. 13				Requires addition modification for certain other loan forgiveness under the consolidated Appropriations Act	
NEW PART X Deduction for business meals CCA CP p. 14				Requires addition modification for expanded business meals deduction	

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