

Maine Society of CPAs

Testimony in Support of LD 191

Senator Grohoski, Representative Cloutier, Members of the Taxation Committee, my name is Jonathan Block. I am a Maine Tax Attorney residing in Portland, and I am testifying today on behalf of the Maine Society of CPAs, which represents hundreds of certified public accountants throughout the State.

The Society strongly supports LD 191. A pass-through entity tax is a way of allowing taxpayers to avoid the impact of the 10% limitation on state and local taxes imposed by the Tax Cuts and Jobs Act. Basically, a pass-through entity tax shifts taxes that are currently imposed on individual members of pass-through entities onto the pass-through entity itself. The individual is then allowed a credit, in this case for 90%, of the member's share of the taxes paid by the pass-through entity.

As shown on the attached map, 36 states have enacted pass-through entity taxes. Nine other states do not tax individual income and therefore don't need a pass-through entity tax. That leaves only 4 income taxing states besides Maine that have not yet enacted one. By not imposing a pass-through entity tax, Maine has become an outlier.

We therefore urge the Committee to allow Maine residents to take advantage of the same SALT cap workaround that 36 other states have provided their residents.

We do point out, however, that the bill as drafted needs some technical, but critical, amendments in order to make it work as intended. We have attached a proposed amendment that we believe would address these issues.

In summary, the Society urges the Committee to support LD 191 with the amendment that we have provided.

Thank you, and I would be happy to answer any questions.