

Pass-Through Entity (PTE) Tax Credit – Policy Comparison LD 191 Amendment vs LD 2212 (Supplemental Budget Part N)

At-a-Glance Comparison

Policy Issue	Governor’s PTE Proposal (Mills) LD 2212	MSCPA Amendment to LD 191 (Preferred)
Effective Tax Years	Tax years beginning on or after January 1, 2026	Tax years beginning on or after January 1, 2025 (retroactive to include the current tax year)
Who May Elect	Partnerships and S corporations; excludes tax-exempt owners	Eligible partnerships and S corporations, including LLCs taxed as such; clear treatment of disregarded entities
Tax Rate at Entity Level	Highest marginal individual income tax rate applied to PTE taxable income	Highest marginal individual income tax rate applied to PTE taxable income
Tax Base	Includes only the PTE’s Maine-source income in the PTET base, resulting in less revenue to the State and a smaller benefit to PTE owners. This works to the disadvantage of Maine resident PTE owners compared to PTE owners residing in most other states	Conforms the PTET base to the entire Maine individual/fiduciary income tax base. This results in more revenue to the State and a larger benefit to PTE owners, and is in synch with the majority of PTET jurisdictions
Credit to Owners	90% refundable credit of owner’s distributive share of PTE tax	90% refundable credit of owner’s distributive share of PTE tax
Nonresident Owners	Requires PTE to pay additional 10% estimated tax on behalf of nonresidents; detailed reporting rules	Nonresidents file to claim the credit; avoids a separate mandatory estimated-tax regime
Estimated Tax System	Extensive new estimated-tax payment and penalty framework specific to PTEs	No separate PTE-specific estimated-tax regime
Administrative Complexity	Detailed filing rules, electronic-only filing, restrictions on amended returns	Simpler election, filing, and reporting structure
Interaction with Other States’ PTE Taxes	Allows credit for substantially similar taxes paid elsewhere except does not allow credit for New Hampshire’s PTET (again putting Maine residents	Allows credit for substantially similar taxes paid to other states; specifically allows credit for NH Business Profits Tax, which is a PTET,

	at a disadvantage); excess credit not refundable	correcting a long-standing problem for Maine resident owners of PTE's doing business in New Hampshire
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Why the MSCPA Amendment Is the Better Policy Choice

1. Immediate Relief for Maine Businesses

The MSCPA amendment applies beginning in **tax year 2025**, allowing Maine pass-through businesses to benefit right away from the federal SALT cap workaround that Congress has already made available. Waiting until 2026 delays relief by a full year.

2. Simpler and More Predictable Administration

The Supplemental Budget proposal adds new estimated-tax systems, nonresident prepayments, and amendment restrictions. The MSCPA approach delivers the same revenue outcome with **significantly less complexity** for taxpayers and Maine Revenue Services.

3. Keeps Maine Competitive with Other States

Most states have already adopted PTE taxes using streamlined models. The MSCPA amendment aligns Maine with these national best practices while avoiding unnecessary compliance burdens. The Governor's proposal actually puts Maine residents at a disadvantage compared to residents of other states.

4. Revenue Neutral, Business Supportive

Both proposals impose the tax at the entity level and provide a **90% refundable credit**, preserving Maine income tax revenue. The MSCPA amendment achieves this while better supporting small and mid-sized Maine businesses.

Comments from stakeholders in the business community

- **“This amendment helps Maine businesses now, not a year from now.”** Retroactive application to tax year 2025 ensures immediate access to the federal SALT workaround.
- **“Same revenue, less red tape.”** The MSCPA amendment preserves state revenue while avoiding a new, complex estimated-tax system.
- **“This puts Maine on equal footing with other states.”** The proposal mirrors approaches already working successfully elsewhere.
- **“It supports small and family-owned businesses.”** Pass-through entities are the backbone of Maine's economy, and this approach is designed with their realities in mind.

Bottom Line: If the Legislature's goal is to support Maine businesses, maintain revenue stability, and implement a workable PTE tax quickly and cleanly, the **MSCPA amendment to LD 191—effective for tax year 2025—is the clear choice.**