

MAINE REVENUE SERVICES
LD 7, “An Act to Update References to the United States Internal Revenue
Code of 1986 Contained in the Maine Revised Statutes”
Proposed Committee Amendment
January 31, 2023

Add the following sections to the Act:

Sec. 2. 36 MRSA §5124-A, is repealed.

Sec. 3. 36 MRSA §5124-C, is amended to read:

§5124-C. Standard deduction; resident on or after January 1, 2018

1. Amount; before January 1, 2020. For tax years beginning on or after January 1, 2018 and before January 1, 2020, the standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, subject to the phase-out under subsection 2.

1-A. Amount; on or after January 1, 2020. For tax years beginning on or after January 1, 2020 and before January 1, 2026, the standard deduction of a resident individual is equal to the federal standard deduction, subject to the phase-out under subsection 2.

1-B. Amount; on or after January 1, 2026. For tax years beginning on or after January 1, 2026, the standard deduction of a resident individual is equal to the sum of the basic standard deduction and any additional standard deduction, subject to the phase-out under subsection 2.

A. The basic standard deduction is:

1. For single individuals and married persons filing separate returns, the basic standard deduction is \$12,000;

2. For individuals filing as heads of household, the basic standard deduction is the amount allowed under subparagraph 1 multiplied by 1.5; and

3. For individuals filing married joint returns or surviving spouses, the basic standard deduction is the amount allowed under subparagraph 1 multiplied by 2.

B. The additional standard deduction is the amount allowed under the Code, Section 63(c)(3).

2. Phase-out. The standard deduction of the taxpayer must be reduced by an amount equal to the total standard deduction multiplied by the following fraction:

A. For single individuals and married persons filing separate returns, the numerator is the taxpayer's Maine adjusted gross income less \$80,000, except that the numerator may not be less than zero, and the denominator is \$75,000. In no case may the fraction calculated pursuant to this paragraph produce a result that is more than one. The \$80,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4;

B. For individuals filing as heads of households, the numerator is the taxpayer's Maine adjusted gross income less \$120,000, except that the numerator may not be less than zero, and the denominator is \$112,500. In no case may the fraction calculated pursuant to this paragraph produce a result that is more than one. The \$120,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4; or

C. For individuals filing married joint returns or surviving spouses permitted to file a joint return, the numerator is the taxpayer's Maine adjusted gross income less \$160,000, except that the numerator may not be less than zero, and the denominator is \$150,000. In no case may the fraction calculated pursuant to this paragraph produce a result that is more than one. The \$160,000 amount used to calculate the numerator in this paragraph must be adjusted for inflation in accordance with section 5403, subsection 4.

Sec. 4. 36 MRSA §5219-SS, is amended to read:

§5219-SS. Dependent exemption tax credit

1. Resident taxpayer; tax years beginning before 2026. For tax years beginning on or after January 1, 2018 and before January 1, 2026, a A resident individual is allowed a credit against the tax otherwise due under this Part equal to \$300 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year.

1-A. Resident taxpayer; tax years beginning 2026 or after. For tax years beginning on or after January 1, 2026, a resident individual is allowed a credit against the tax otherwise due under this Part equal to \$300 for each dependent of the taxpayer for whom the federal personal exemption pursuant to the Code, Section 151 was claimed in an amount greater than \$0 for the same taxable year.

2. Nonresident taxpayer; tax years beginning before 2026. For tax years beginning on or after January 1, 2018 and before January 1, 2026, a A nonresident individual is allowed a credit against the tax otherwise due under this Part equal to \$300 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year, multiplied by the ratio of the individual's Maine adjusted

gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income as modified by section 5122.

2-A. Nonresident taxpayer; tax years beginning 2026 or after. For tax years beginning on or after January 1, 2026, a nonresident individual is allowed a credit against the tax otherwise due under this Part equal to \$300 for each dependent of the taxpayer for whom the federal personal exemption pursuant to the Code, Section 151 was claimed in an amount greater than \$0 for the same taxable year, multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income as modified by section 5122.

3. Part-year resident taxpayer; tax years beginning before 2026. For tax years beginning on or after January 1, 2018 and before January 1, 2026, ~~an~~ An individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part equal to \$300 for each qualifying child and dependent of the taxpayer for whom the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year, multiplied by a fraction, the numerator of which is the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph A, for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income as modified by section 5122.

3-A. Part-year resident taxpayer; tax years beginning 2026 or after. For tax years beginning on or after January 1, 2026, an individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part equal to \$300 for each dependent of the taxpayer for whom the federal personal exemption pursuant to the Code, Section 151 was claimed in an amount greater than \$0 for the same taxable year, multiplied by a fraction, the numerator of which is the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph A, for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income as modified by section 5122.

4. Limitation and phase-out. The credit allowed by this section may not reduce the tax otherwise due under this Part to less than zero. The amount of the credit allowed by this section must be reduced, but not below zero, by \$7.50 for each \$1,000 or fraction thereof by which the taxpayer's Maine adjusted gross income exceeds \$400,000 in the case of a joint return and \$200,000 in any other case.

Sec. 5. 36 MRSA §5403, sub-§2, is repealed and replaced with:

2. Standard deductions. In 2025 and each year thereafter, by the dollar amount contained in section 5124-C, subsection 1-B, paragraph A, subparagraph 1, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017;

Summary

This amendment changes the Maine standard deduction from an amount equal to the federal standard deduction to \$12,000 for single filers, \$18,000 for heads of household, and \$24,000 for individuals filing married joint returns, subject to an inflation adjustment. This will maintain the Maine standard deduction at current levels for tax years 2026 and later, as opposed to current law which provides for a reduction in the Maine and federal standard deduction for those tax years.

In addition, this amendment changes references in the Maine dependent exemption tax credit from the federal child tax credit to the federal personal exemption. This will maintain the Maine dependent exemption tax credit at current levels for tax years 2026 and later, as opposed to current law which provides for a reduction in the credit due to the expiration of the referenced federal child tax credit provisions.