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Testimony of State Representative Dan Sayre presenting

LD 2010, An Act Updating References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes

Before the Joint Standing Committee on Taxation

Senator Grohoski, friends and colleagues on the Joint Standing Committee on Taxation, I am Dan Sayre, the Representative for House District 135, the greater part of the town of Kennebunk. I present for your consideration **LD 2010, An Act Updating References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes**. I submit this bill on behalf of the Department of Administrative and Financial Services pursuant to Joint Rule 203.

The text of the bill could not be simpler – it changes a single digit from a “4” to a “5.” But the impact of that change is very significant. It changes the date to which the State of Maine conforms the Maine Revised Statutes to the United States Internal Revenue Code from December 31, 2024 to December 31, 2025, for tax years beginning on or after January 1, 2025.

This change is significant because the United States Internal Revenue Code was substantially revised in 2025 by a bill officially titled *An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, commonly referred to as the reconciliation bill, or HR.1. In addition to the supplemental budget discussed this morning, LD 2010 is a vehicle through which the state elects to conform to, or decouple from, the taxation policies implemented at the federal level in HR.1.

For the benefit of members of the public present here today, I will try to briefly summarize the conformity process. Maine, like most states, uses the federal tax code as a starting point for calculating state personal income taxes, corporate income taxes, and estate taxes. When the federal rules change, like most states, Maine chooses which of those federal changes to accept. This process of choosing whether to adopt the federal changes is called “conformity.”

Maine follows a process known as static conformity, also called fixed-date conformity, in which we conform to the federal tax code as of a specific date, except for policies we explicitly choose not to conform with. This is called “decoupling,” and there are many areas of tax law where Maine currently has decoupled from federal law.

To conform with any portion of HR1, we first need to adjust the date in Maine statute, which is what LD 2010 does. To decide which components of HR.1 to conform to is the work of this committee, both in the discussion of this bill and in preparing our response to the supplemental budget proposal that we began reviewing this morning with the Appropriations and Financial Affairs committee.

To proceed with this discussion, I would like to turn the podium over to representatives of the Department of Administrative and Financial Services to recap the conformity portions of the supplemental budget proposal, before hearing from members of the public.

Thank you for your time and consideration. I am happy to answer any questions you wish to direct to me.