



LEGISLATIVE UPDATE- MARCH 31, 2025

State Legislature

- The Legislature is back for its first special session to ensure the effectiveness of the majority biennial and supplemental budget by July 1.
- Delayed passage of the supplemental budget has led MaineCare to begin capping provider payments to accommodate its funding gap. Healthcare providers, including hospitals and direct care workers, consequently may face significant economic challenges in the next three months.
- The Taxation Committee has received only 47% of the bills it must review. The majority of tax bills have yet to be printed or heard, pushing a significant amount of the committee's work into the second half of its working season.
- There are myriad discussions around potential tax increases, including proposals to: impose a lodging tax ([LD 225](#)), permit a local option sales tax ([LD 746](#)), add a 4% tax to capital gains earnings ([LD 1047](#)), increase personal income taxes ([LD 229](#)), impose a personal income tax surcharge ([LD 1089](#)) and to levy new taxes on mineral extraction (as rare earth minerals become increasingly valuable in technological equipment ([LD 223](#)).

Countering these, Rep. David Boyer (R-Poland) introduced a bill to phase out the income tax ([LD 846](#)).

None of these bills is likely to garner widespread support, due to the heavy partisanship in the Legislature and uncertainty about the business environment. However, as federal

cuts continue, the risk of new revenue raisers increases dramatically – particularly to offset lost federal health care and social services dollars.

FAQs for ERC

Key change in the IRS update: Taxpayers don't need to amend 2021 income tax returns to pick up taxable income for any outstanding ERC claims. These amounts can be reported as income if and when the IRS receives claim payments. [Read more here.](#)

LEGISLATIVE UPDATE- MARCH 24, 2025

Here are several state tax bills we're watching on your behalf. Your views as financial experts are highly valued, so please consider sharing your thoughts with your state legislator. (You can find a list [here.](#))

Please feel free to share them with us, too, as we'll likely provide testimony of some, including those on the Pass-Through Entity Tax (that we've supported with amendments) and taxpayer confidentiality protection.

- **LD 48**
To allow conformity between Maine Revised Statutes and federal tax law. Sponsor: Kristen Cloutier.
- **LD 68**
Various tax changes, including removal of automatic extension for Business Equipment Tax Exemption, BETE reporting. Sponsor: Kristen Cloutier.
- **LD 127**
To allow the Office of Program Evaluation & Government Accountability to receive records that are private and confidential. Sponsor: Craig Hickman.
- **LD 191**
To enact a pass-through entity tax credit of up to 90% of a member's share of income tax paid as a pass-through entity.

- **LD 203**
To provide an employer child care tax credit for 50% of costs/up to \$3,000 per child, whichever is lower. Sponsor: Harold Stewart
- **LD 229**
To create new tax brackets, including up to 8.2% on the \$1 million+ category. Sponsor: Ann Matlack
- **LD 671**
To eliminate the income tax and require zero-based budgets. Sponsor: Laurel Libby
- **LD 778**
To establish a tax amnesty program to encourage delinquent taxpayers to comply. Sponsor: Joe Baldacci.
- **LD 1089**
To Impose a 4% surcharge on income over \$1 million to cover the state's share of K-12 education. Sponsor: Cheryl Golek.

BOI Update

FinCEN has issued an Interim Final Rule (IFR) removing the requirement for U.S. companies and U.S. persons to report beneficial ownership information (BOI).

Additionally, the rule updates filing deadlines for foreign entities:

- Foreign entities registered before the IFR's publication must file BOI reports within 30 days of that date.
- Foreign entities registered on or after the IFR's publication must file within 30 calendar days of receiving notice that their registration is effective.

More details are available in [FinCEN's announcement](#).

LEGISLATIVE UPDATE - MARCH 17, 2025

Private equity comments wanted

As private equity's role in accounting firms continues to grow, a special task force of the

AICPA's Professional Ethics Executive Committee is seeking public comments on a [discussion memo](#) about potential revisions to the Code of Professional Conduct.

The memo includes two options that would address independence issues related to alternative practice structures (APS). Both options involve step-by-step processes for making this determination.

Comments are due June 15 and can be submitted [here](#).

Some help in dealing with grant funding impacts

The landscape for organizations that rely on grant funding, particularly from the federal government, has changed significantly in the past eight weeks. If you work or advise impacted organizations, you won't want to miss this course:

- Strategies for Effective Grant Management in Uncertain Times, March 26, 11 a.m.-noon. 1 CPE. [Register here](#).

State budget

Over the past several weeks, Maine's Legislature has failed in attempts to pass a bipartisan supplemental budget by the required two-thirds majority vote. This budget is critical to avoid long-term payment caps on MaineCare (Maine's version of Medicaid) providers and to facilitate timely springtime pesticide spraying against spruce bud worm in Maine's forests.

The current sticking point is in the Senate, where Republicans failed to support an agreement they had approved earlier and which was approved by the House by an overwhelming bipartisan majority. MaineCare provider capping has already commenced to cover the fiscal gap that exists until the Legislature enacts a supplemental budget.

Because only bills passed on an "emergency" third-thirds majority basis can take effect immediately, Democrats have until April 1 to pass a simple majority budget to ensure it takes effect by July 1. (Bills take effect 90 days after adjournment of the legislative session in which they're passed.)

Unless legislators manage to pull off a two-thirds vote (which is looking unlikely), provider payments will be capped until the date the law actually takes effect – July 1. This could have significant negative consequences for Maine's already strained provider community and bodes

poorly for discussions on a two-thirds majority biennial budget – a substantially weightier and costlier document.

One thing the Legislature can agree on

Legislators passed a bill encouraging the celebration of St. Patrick’s Day. [Read it here](#), and wishing you the luck of the Irish today!

LEGISLATIVE UPDATE – MARCH 10, 2025

The AICPA and NASBA **proposed new changes** to the Uniform Accountancy Act (UAA) last week. This new Exposure Draft supersedes two earlier versions related to CPA licensure pathways. Comments about the previous Drafts centered on potential administrative costs and the subjectivity of a Competency Based Model.

Many state CPA Societies, including Maine's and its New England neighbors, opposed the two previous Drafts. The latest Exposure Draft reflects forward-looking solutions offered by state CPA Societies. The MECPA will join other New England states in submitting a letter of support for this Exposure Draft.

New UAA changes would:

- Enable states to adopt a third licensure pathway (earn a bachelor’s degree, complete two years of professional experience, and pass the CPA Exam).
- Shift to an “individual-based” mobility model, which allows CPAs to practice in other states with just one license.
- Add safe-harbor language to ensure CPAs who meet existing licensure requirements preserve practice privileges.

Go here to comment by May 3.

The IRS personnel and funding cuts

IRS resource cuts continue to concern/challenge the profession. AICPA CEO Mark Koziel released [this statement](#) in response to disruption during the tax filing season. The MECPA continues to monitor this situation.

LEGISLATIVE UPDATE- MARCH 3, 2025

BOI update: No fines

FinCEN announced late Thursday that “it will not issue any fines or penalties or take any other enforcement actions against any companies based on any failure to file or update beneficial ownership information (BOI) reports pursuant to the Corporate Transparency Act by the current deadlines. No fines or penalties will be issued, and no enforcement actions will be taken, until a forthcoming interim final rule becomes effective and the new relevant due dates in the interim final rule have passed.”

The interim final rule to extend BOI reporting deadline, will be issued by March 21.

FinCEN said it is committed to reducing regulatory burden on businesses while balancing national security risks. [Go here FMI.](#)

AICPA & NASBA offer new Exposure Draft on licensure pathway

A new Exposure Draft, reflecting a proposal for a new CPA licensure pathway, is expected to be released tomorrow. Comments will be accepted through May 3.

The proposal would allow for a combination of bachelor’s degree + 2 years work

experience + CPA exam and includes provisions for automatic/individual mobility with guardrails and safe harbor language to facilitate mobility transition.

This latest draft supersedes one issued late last year that included a competency-based experience pathway. There was significant opposition to the earlier proposal – including from state CPA Societies – mostly around the objectivity and practicality of administering such a system.

LEGISLATIVE UPDATE- FEBRUARY 24, 2025

IRS watch

The IRS is the latest governmental organization being attacked by the current administration. These comments are from AICPA CEO Mark Koziel:

“Unfortunately, specifics are not fully understood at this moment. The IRS has indicated that the filing season and processing of tax returns should not be disrupted; however, it is a fluid situation.

"It is our understanding that the IRS employees who were terminated were probationary employees from across the country, including some who worked in compliance. We believe that it is essential for the IRS to have the ability to meet the needs of taxpayers and their preparers this filing season, and we will continue to closely monitor the situation.

“At this moment, taxpayers and their preparers should continue filing their tax returns as normal. However, we do recommend that preparers be prepared to communicate with their clients regarding the current environment and the potential for delays in communications, processing, or engagements from the IRS.”

New BOI deadline

The courts lifted the injunction on BOI reporting last week. The new filing deadline is March 21.

Income Apportionment

Several members of the MECPA Tax Committee, along with our Pierce Atwood advocacy team, testified at a Maine Revenue Services public hearing on Wednesday to oppose proposed Rule 801, Income Apportionment. Updates will be made public via the MRS Tax Alert site [here](#).

LEGISLATIVE UPDATE- FEBRUARY 17 2025

Protecting Confidentiality

At a public hearing last week, our lobbyist submitted proposed amendments to [LD 196](#) and [LD 127](#) – two bills that in their original forms would give some government agencies access to taxpayer information. The MECPA argued against similar bills last year, and neither went forward. There will be a work session on these bills later this month. The MECPA will continue its work to ensure the confidentiality of taxpayer information.

Income Apportionment

This Wednesday (11 a.m.-1 p.m., Feb. 19), Maine Revenue Services will host a public hearing on its proposed Draft Rule 801 on income apportionment, at its Augusta office. The MECPA opposes this rule on several grounds and submitted a [comment letter](#).

[Go here](#) FMI and register to testify (virtual format allowed).

CPA Licensure

In response to overwhelming opposition to their Competency Based Pathway to CPA licensure proposal, the AICPA and NASBA have abandoned the plan. The MECPA joined other New England states in opposing the proposal. [Go here](#) to read the AICPA's Summary of Comments.

The AICPA and NASBA will now prepare a new Exposure Draft, proposing an additional pathway to licensure, while preserving mobility. This pathway would allow a bachelor's degree + 2 years experience + CPA Exam. This reflects legislative initiatives taken by state Societies around the country, including the MECPA. Read more [here](#).

LEGISLATIVE UPDATE- FEBRUARY 10 2025

Paid Family Medical Leave (PFML)

Maine's new PFML program went into effect last month. PFML requires all employees to contribute to the program, and employers with more than five employees are also required to contribute. If the employer covers employees' contributions, it is considered compensation for employees.

A recent IRS issuance, RR-25-04, defines employer contributions as business deductions and employee contributions as income tax deductions for itemized tax purposes.

Maine Revenue Services is reviewing the IRS notice and plans to discuss it with the Maine Department of Labor. Generally speaking, MRS attempts to conform with federal reporting, but how PFML activity will be treated has not been decided.

Pass-Through Entity Income Tax (PTET)

During the last legislative session, the MECPA advocated for passage of a PTET, but legislators took no action on the proposed bill (LD 1891). Instead, they tasked MRS with analyzing its impact.

MRS issued its study results late last week. It recommends delaying action on adopting a PTET until there is some resolution around the SALT limitations at the federal level. Given the current chaos in Washington, this could stretch into 2026.

In all likelihood, the Legislature's Tax Committee will discuss the study at a public hearing.

LEGISLATIVE UPDATE- FEBRUARY 3 2025

Since the 132nd Legislature started its work in earnest in early January, Gov. Janet Mills has released her proposed Biennial Budget, which seeks to close a \$450 million gap caused by costs of existing programs exceeding state revenues. She wants to increase the cigarette tax and some licensing fees to make up the difference.

Some Democrats are eyeing revenue raisers to achieve that, including adjusting Maine's income tax brackets to target higher-income earners. LD 229 includes a

proposed new tax bracket for earners over \$1 million at 8.2% (married filing jointly).

Other recently printed bills include:

- LD 48, to conform Maine's 2024 state tax policies to 2024 federal policy changes.
- LD 191, to enact a tax credit of up to 90% of a member's share of income taxes paid as a pass-through entity. The MECPA is closely advocating for passage of this bill.
- LD 203, to enact an employer child care tax credit.

We'll be tracking these and other bills that affect accountants throughout the session.

Please keep an eye on your inboxes and take a look at this **Advocacy Connections 2025 sheet** for pointers on how to easily stay abreast of legislation that affects you and your clients – including reading these weekly updates – and participate as desired. Your voices inform our decisions and actions.

LEGISLATIVE UPDATE – JANUARY 29 2025

In response to the MECPA Taxation Committee's letter opposing Maine Revenue Services' Draft Rule 801 on income apportionment, the MRS has set a Feb. 19 public hearing.

Our committee, in conjunction with our Pierce Atwood lobbyists, drafted the letter and requested a hearing because we feel the proposed rules would place an undue administrative and reporting burden on accountants and their clients. **Read the Draft Rule here.**

MRS heard us and set the hearing for 11 a.m. to 1 p.m. Wednesday, Feb. 19 in Augusta. Testimony from CPAs and tax practitioners can be given in person or virtually. **Find details here**, including instructions on testifying. This is a great opportunity to help influence state tax policy.

LEGISLATIVE UPDATE – JANUARY 28 2025

In response to questions I'm receiving, here's the scoop on new requirements for filing 1099s and W2s with the state of Maine:

This filing season, employers and payers required to file at least 10 federal Forms W2 and Forms 1099, in aggregate, must file them electronically to Maine Revenue Services via the Maine Tax Portal. MRS addressed the issue in an August 2023 [Tax Alert](#), and its impact is being felt this year.

However, MRS says this situation won't be resolved until next filing season.

So what can you do? The MRS recommends you:

1. Send an email with specific questions or requests for assistance to withholding.tax@maine.gov.
2. Encourage your tax software vendor to incorporate separate state filing in their packages for next year.

LEGISLATIVE UPDATE – JANUARY 13 2025

The MEPCA Taxation Committee met with Maine Revenue Services representatives last week as part of an effort by both organizations to maintain periodic communication.

Key highlights of our meeting with MRS division heads in sales, income and property provided updates of 2024 law changes impacting their respective areas. Examples: blanket sales tax exemption for nonprofits, sales tax on lease payment streams, sales tax on software subscriptions, property tax changes for renewable energy equipment, and more.

for a complete list of 2024 tax law changes. [Go Here](#).

MRS also reported:

- It has proactively worked with several key tax software vendors, like CCH, to avoid electronic filing issues like those that occurred during last year's filing season.
- The Maine Tax Portal is fully operational for all state tax types.
- MRS hosts a dedicated practitioner line, staffed 9 a.m. to noon weekdays. If you call outside of these hours, you're encouraged to leave a suggested call back time at **(207) 626-8458**.

- Send comments on the Draft Rule on Income Apportionment to Alex Weber by Friday (Jan. 17). Alexander.J.Weber@maine.gov

Bills we'll be monitoring on your behalf this legislative session:

- [LD 48](#): To allow ongoing conformity with federal tax code for tax year 2024
- [LD 127](#): Would allow OPEGA to receive records that are private and confidential (we have concerns related to taxpayer information privacy.)
- CPA Licensure: Bill number not yet assigned
- Childcare & Pass Through Entity Tax Credit: Bill number not yet assigned.

LEGISLATIVE UPDATE JANUARY 6 2025

Stay on top of local and regional happenings by attending the **New England Virtual Tax Conference** for two half-days – **Jan. 16 & 17** (8:30 a.m.-12:30 p.m. each day).

Details

Top-notch presenters, including Pierce Atwood's Elizabeth Frazier, will share insights on Maine's political landscape and potential legislative initiatives around data privacy, housing and workforce development, the new Paid Family Medical Leave Act and more. Luke Tilley, senior economist for M&T Bank, will give perspectives on the economic outlook.

Perennial favorites Jon Block & Olga Goldberg of Pierce Atwood will highlight major tax law changes in Maine, including the Dirigo Business Incentives program and Maine Revenue Services' proposed income apportionment rule.**

[Register today to access an additional \\$100 discount](#) off the member rate. Use discount code **MECPA**.

** Maine Revenue Services is seeking practitioner comments on a Draft Rule on Apportionment. [Go here](#) to read it. Comments are **due Jan. 17** and should be sent to [Alex Weber](#).

In other news ... BOI Reporting saga continues

No definitive word yet as back and forth in the courts continues. Our best advice is to continue to gather required information from clients, and be prepared to file the BOI report if the injunction is lifted again.