



PELLETIER CHASE & ASSOCIATES, LLC

Certified Public Accountants and Business Advisors

State of Maine Legislature Enacts New Tax Laws during the 2011 Session That Effect Individuals and Businesses

The State of Maine 125th Legislature approved numerous Maine laws during their January – June 2011 session which were signed by Governor Paul LePage. The tax laws go into effect on various dates. The following are just a few of the new tax laws that may be informative to you.

- Beginning on or after **January 1, 2013**, the **individual income tax rate schedules** will be reduced from four to two rate brackets of 6.5% and 7.95%. For 2011 and 2012 the tax rates are 2%, 4.5%, 7%, and 8.5%.
- Beginning on or after **January 1, 2012**, the **Maine individual income tax standard deduction** amounts will conform to the federal standard deduction amounts.
- Beginning on or after **January 1, 2012**, a person making a **qualified equity investment** in a low-income community business is allowed a credit equal to 39% of the investment. This **New Markets Tax Credit** is taken over seven years. The credit is fully refundable, or the taxpayer may elect to carry any unused portion of the credit forward for up to 20 years.
- For years beginning on or after **January 1, 2012**, the **Maine alternative minimum tax** for non-corporate taxpayers will be repealed. The minimum tax credit remains in effect for unused credit amounts.
- For the tax year **2012**, the Maine **additional taxes on lump-sum and early retirement plan distributions** will be reduced to 7.5% from 15% of the federal tax amount on these distributions. For the tax years after 2012, the additional Maine taxes on lump-sum and early retirement plan distributions are repealed.
- For the tax year **2011** and thereafter, Maine will be in full conformity with the federal expensing rules under the Internal Revenue Code for **section 179**. Maine will now allow expensing up to \$500,000 for property placed in service in 2011. Maine previously limited section 179 expensing to \$25,000 in a tax year.
- Maine is offering the **Maine Capital Investment Credit** to businesses that place depreciable property in service in Maine during the taxable years beginning in **2011 or 2012**. The credit is equal to 10% of the federal bonus depreciation claimed for the taxable year.
- The new law provides that, with respect to the **tax on estates** of decedents dying after **December 31, 2012**, the exclusion amount increases from \$1,000,000 to \$2,000,000. Also a progressive rate structure applies beginning in **2013**.
- Maine is also offering a **credit for wellness programs** beginning on or after **January 1, 2014**. An employer with 20 or fewer employees is allowed a credit equal to expenditures for developing, instituting, and maintaining a wellness program for its employees. The credit is limited to the lower of \$100 per employee or \$2,000. The credit cannot reduce tax liability below zero, but unused portions can be carried forward for up to five years.

This article has been developed by Pelletier, Chase & Associates, LLC as a public service to you. It should not be construed as tax advice or as a promise of potential tax savings or reduced tax liability. For more information about the new Maine tax laws, contact [PCA](#).