

Income/Franchise:

Maine Revenue Services Summarizes New Bright-Line Nexus Standard for Corporate Income Tax

Enacted Tax Legislation – 2021 Session, Me. Rev. Serv. (9/21). Maine Revenue Services (MRS) has released a lengthy summary of Maine tax-related legislation enacted in 2021 during Maine’s regular and special sessions, including new Maine corporate income tax nexus provisions that incorporate a “bright-line” economic nexus standard [see LD 1216 (HP 891), signed by gov. 6/11/21, and *State Tax Matters*, Issue 2021-24, for more details on this new law]. According to MRS, Maine’s corporate income tax law has been “simplified by establishing clearly defined, objective nexus thresholds as a practical structure for the current general ‘economic nexus’ standard.” Under the new nexus law, applicable to tax years beginning on or after January 1, 2022, a corporation has nexus with Maine if the corporation is organized or commercially domiciled in Maine or if, in Maine, any of the following thresholds are exceeded:

URL: <https://www.maine.gov/revenue/sites/maine.gov/revenue/files/inline-files/legischange21.pdf>

URL: http://www.mainelegislature.org/legis/bills/display_ps.asp?id=1216&PID=1456&snum=130

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/STM/210618_5.html

- \$250,000 of property,
- \$250,000 in payroll,
- \$500,000 in sales in Maine, or
- 25% of the corporation’s total property, payroll, or sales is in Maine.

MRS provides that “these so-called factor presence thresholds clarify the minimum thresholds that, when exceeded by a corporation, subject that corporation to the Maine corporate income tax,” and “create a safe harbor for corporations with little activity within the State that nonetheless have nexus under current law due to a small, but greater than de minimis, physical presence in Maine.”

Other recent law changes summarized by the MRS in this document include:

1. Updated state conformity to the federal Internal Revenue Code (IRC) and the Maine tax treatment of certain provisions under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (i.e., P.L. 116-136) for select tax years;
2. A requirement for the MRS to conduct a study of the global intangible low-taxed income (GILTI) deduction add-back adjustment as it relates to the federal foreign-derived intangible income (FDII) deduction under IRC section 250(a)(1)(B); and
3. Revising Maine’s sales and use tax economic nexus standard for remote sellers and marketplace facilitators by eliminating the “200-transaction” threshold.

Please contact us with any questions.

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