



Tax Insights
from State and Local Tax
Services

Maine updates IRC conformity, treatment of Sections 174/168(n)

April 28, 2026

In brief

What happened?

Under legislation (H.P. 1491) enacted on April 10, Maine has codified certain changes announced by Governor Janet Mills (D) for the 2025 tax year, including addition modifications related to federal expensing of domestic research and experimental (R&E) expenditures and qualified production property. The legislation provides mechanisms for deducting these addback amounts for Maine tax purposes in future years, among other changes.

[L.D. 2212/H.P. 1491 (c. 650), enacted 4/10/2026]

Why is it relevant?

Maine is one example of the states' continuing reactions to the federal P.L. 119-21, or One Big Beautiful Bill Act (OBBBA). Maine's enactment includes varying calculations for recapturing addback amounts over multiple years resulting from the state's nonconformity to these federal provisions.

Actions to consider

Businesses subject to Maine taxation should consider the potential Maine tax impact of these changes on expensing elections taken for federal tax purposes and track required adjustments in affected years.

In detail

Background

On June 17, 2025, in anticipation of federal legislative action, Maine enacted [P.L. 2025, c. 336](#), authorizing Maine's Governor to temporarily adjust federal law conformity for purposes of the 2025 tax filing season pending potential enactment of conformity legislation by the Maine Legislature in 2026.

On October 1, 2025, Governor Janet Mills issued a letter of "[determination and direction](#)" to the State Tax Assessor to adjust 2025 tax forms to reflect certain adjustments for the 2025 tax year only, including conforming to changes to the business interest deduction but rejecting changes for expensing research and experimental (R&E) expenditures (except with respect to small businesses), reinstated bonus depreciation, and the accelerated depreciation deduction for qualified production property.

On October 24, 2025, Maine Revenue Services (MRS) issued a [tax alert](#) noting that Maine income tax returns for tax year 2025 were being developed according to the Governor's direction, but that taxpayers "may choose to wait for future state legislative enactment(s) that address the federal tax law changes by filing under extension pursuant to 36 M.R.S. Section 5231(4). Tax returns filed prior to enactment of any legislation by the Maine Legislature that address the federal tax law changes must be consistent with the issued Maine tax returns, forms, instructions, and other guidance in effect at the time. Any future Maine legislative enactments that differ from the filing instructions in effect at that time may require taxpayers to then file an amended return to address such changes."

General IRC conformity

On April 10, Maine enacted H.P. 1491 updating references to the Internal Revenue Code to December 31, 2025 (previously December 31, 2024). This update applies to tax years beginning on or after January 1, 2025; however, the legislation generally preserves the decoupling decisions made by the Governor for the 2025 tax year and provides a framework for taking corresponding deductions, as discussed below.

IRC Sections 174/174A

The legislation requires an addition modification for tax years beginning on or after January 1, 2025 and before January 1, 2030, equal to the deduction for domestic R&E expenditures claimed under Section 174A(a) (i.e., immediately expensed) or pursuant to P.L. 119-21, Section 70302(f)(2) (the "catch-up" election for 2022-24 domestic R&E expenditures) multiplied by the applicable percentage:

- For tax years beginning in 2025, 100%;
- For tax years beginning in 2026, 70%, except that "applicable percentage" means, for the same period, 100% for deductions claimed pursuant to P.L. 119-21, Section 70302(f)(2);
- For tax years beginning in 2027, 50%;
- For tax years beginning in 2028, 30%; and
- For tax years beginning in 2029, 10%.

For tax years beginning on or after January 1, 2025 and before January 1, 2031, the legislation provides the following deductions for allowable domestic R&E expenditures to the extent added back above:

- For expenditures paid or incurred in tax years beginning after December 31, 2021 and before January 1, 2026, a deduction equal to the amortization deductions for domestic R&E expenditures under former Section 174 (prior to the enactment of P.L. 119-21).
- For other domestic R&E expenditures subject to addback, the deduction is to be ratably apportioned over a period beginning with the tax year immediately following the tax year in which the addition modification was required and ending in the tax year beginning in 2030.

Observation: For example, if a taxpayer claimed a federal R&E deduction pursuant to IRC Section 174A of \$10M in 2025, there would be a Maine addition modification of \$10M in 2025 and deductions of \$2M in 2025-2029 (ratably over five years as allowed under TJCA Section 174). If a taxpayer claimed a federal R&E deduction of \$10M pursuant to IRC Section 174A in 2026, the Maine addition modification in 2026 would be \$7M (70%), and the deductions would be \$1.75M in 2027-2030 (\$7M ratably through 2030).

Section 168(n)

The legislation requires an addition for the net increase in depreciation attributable to the depreciation deduction claimed under Section 168(n). A corresponding deduction is allowed in an amount equal to the net increase in depreciation attributable to the depreciation deductions allowable under Sections 167 and 168 (prior to enactment of the OBBBA) that would have been applicable to that property.

Section 163(j)

The legislation, by updating conformity to the IRC, continues the Governor's 2025 determination to conform to changes made to the interest expense deduction limitation under Section 163(j) as amended by the OBBBA.

GILTI/NCTI

The legislation replaces references to "global intangible low-taxed" income with "net CFC tested" income, conforming to the updated federal nomenclatures in the OBBBA.

Let's talk

To discuss the potential implications of Maine's legislation on your business, please contact:

State and Local Tax Services

Jill Libby

+1 857-636-2096

jill.a.libby@pwc.com

Robert Ozmun

+1 612-209-0508

robert.c.ozmun@pwc.com

David Sheehan

+1 339-223-2651

david.sheehan@pwc.com

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