



This Week in State Tax (TWIST)

July 14, 2025



Maine: Legislature Approves Sales Tax Expansion and Conformity Update

Governor Janet Mills recently signed three measures affecting state taxes that were approved in the recently adjourned special session of the Legislature. [L.D. 210](#) makes several changes to the Maine sales tax including imposition of the tax on "digital audiovisual and digital audio services," which are defined as the electronic transfer of digital works to an end user for non-permanent use, including when conditioned upon continued payment by the purchaser or under a subscription. The bill also repeals the service provider tax that was imposed in lieu of the sales tax on providers of certain services such as cable and satellite services, a narrow range of streaming services, and telecommunications. The various taxable services and exemptions in the service provider tax were transferred to the retail sales tax except for the expanded application to digital audio-visual and digital audio services. In addition, the bill enacts exemptions for certain durable medical equipment and mobility enhancing equipment (as defined). All changes are effective January 1, 2026.

The governor also signed [L.D. 48](#) updating the state's conformity to the Internal Revenue Code as of December 31, 2024, applicable for tax years beginning on or after January 1, 2024. In anticipation of federal income tax law changes, the legislature also enacted, and the governor signed, [L.D. 221](#). This bill provides that if it appears that the legislature has not had the opportunity to respond to federal income tax law changes before the Maine Revenue Services (Department) begins processing returns for the most recently completed tax year (i.e., tax year 2025 in this instance), the Commissioner of Administrative and Financial Services must prepare a report for the governor and legislature which includes a description of the federal law changes and the potential effect on Maine income tax law and the state budget. Based on this report, the governor is authorized to adjust some or all federal tax law changes contingent on the future enactment by the legislature. The adjustments must be consistent with the intent of existing Maine income tax laws, must consider budgetary implications, and should aim to reduce complexity for Maine taxpayers and the Department's administration of the income tax. The legislation also requires inclusion of certain information in the tax return filing instructions or related public information such as: the instructions and processing are contingent on enactment of legislation by the Maine legislature, taxpayers have the option to wait for enactment of legislation by filing under a "material budgetary impact" extension, and taxpayers must file amended returns to address any variances caused by enacted legislation, but that no penalty or interest will be assessed for a late filing or erroneously issued refund. The determination made by the governor of actions to be taken is also to be reported to the legislature which may convene hearings and file legislation at the next special or regular session. For more information on L.D. 48 and L.D. 221, please contact [Melissa DelleMonache](#). For more information on L.D. 210, please contact [Ryanne Tannenbaum](#).

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