



132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

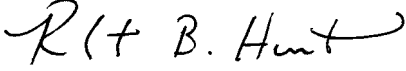
No. 106

H.P. 71

House of Representatives, January 8, 2025

An Act Regarding the Taxation of Paid Family and Medical Leave Benefits

Submitted by the Department of Labor pursuant to Joint Rule 204.
Reference to the Committee on Taxation suggested and ordered printed.


ROBERT B. HUNT
Clerk

Presented by Representative CLOUTIER of Lewiston.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 26 MRSA §850-M, sub-§1-A** is enacted to read:

3 **1-A. State tax.** An individual filing a new claim for family leave benefits or medical
4 leave benefits under this subchapter may elect to have the administrator deduct and
5 withhold state income tax from the individual's payment of benefits at the rate of 5%. The
6 department shall advise an individual filing a new claim, at the time the individual files the
7 claim, that:

8 A. The benefits are subject to state income tax;

9 B. Requirements exist pertaining to estimated tax payments;

10 C. The individual may elect to have state income tax deducted and withheld from the
11 individual's payment of benefits at the rate of 5%; and

12 D. The individual is permitted to change a previously elected withholding status.

13 **Sec. 2. 36 MRSA §5122, sub-§1, ¶QQ** is enacted to read:

14 QQ. For each taxable year beginning on or after January 1, 2026, an amount equal to
15 the amount of family leave benefits or medical leave benefits paid pursuant to Title 26,
16 section 850-C, to the extent those benefits are not included in the taxpayer's federal
17 adjusted gross income.

18 **Sec. 3. 36 MRSA §5122, sub-§2, ¶AAA** is enacted to read:

19 AAA. For each taxable year beginning on or after January 1, 2026, an amount equal
20 to the amount of any family leave benefits or medical leave benefits that were repaid
21 by the taxpayer pursuant to Title 26, section 850-L, subsection 2 that have been
22 previously taxed under this Part.

23 **Sec. 4. 36 MRSA §5255-D** is enacted to read:

24 **§5255-D. Withholding on paid family and medical leave benefits**

25 When an individual receiving family leave benefits or medical leave benefits under the
26 paid family and medical leave benefits program established in Title 26, section 850-B
27 makes an election pursuant to Title 26, section 850-M, subsection 1-A, the administrator
28 of the paid family and medical leave benefits program shall deduct and withhold state
29 income tax at the rate of 5% from the family leave benefits or medical leave benefits paid
30 to the individual pursuant to Title 26, sections 850-B and 850-C.

31 **SUMMARY**

32 This bill provides that benefits paid from the paid family and medical leave benefits
33 program are subject to state income tax to the extent those benefits are not included in the
34 taxpayer's federal adjusted gross income. It also provides that a taxpayer's federal adjusted
35 gross income may be reduced by the amount subject to repayment that has been previously
36 taxed by the State. It also allows individuals filing a new claim for family leave benefits or
37 medical leave benefits to elect to have the administrator of the program deduct and withhold
38 state income tax from the individual's payment of benefits at the rate of 5% and requires
39 the administrator of the program to deduct and withhold state income tax. It also requires

1 the department to advise individuals filing a new claim for benefits that the benefits are
2 subject to state income tax.