

### Calculation of after-tax amounts pursuant to 39-A M.R.S.A. § 221(2)(A)(2)

39-A M.R.S.A. § 221(2)(A)(2) defines how after-tax amounts must be calculated when an offset is warranted. Questions have arisen as to how the after-tax amount can be calculated. This document has been created to provide guidance for the public and agency staff. It is “intended solely as advice to assist persons in determining, exercising, or complying with their legal rights, duties or privileges . . .” *Downeast Energy Corp. v. Fund Ins. Review Bd.*, 2000 ME 151, ¶¶ 23-24, n.7. The guidance provided in this document does not have the force and effect of law and is not judicially enforceable. *Downeast Energy Corp.*, 2000 ME 151, ¶ 23.

For injuries prior to 1/1/2013, the “after-tax” amount was determined by obtaining the 80% after tax amount, based on the employee’s filing status and dependents, from the weekly benefit tables then in use to determine weekly workers’ compensation benefits, multiplied by 1.25 (80% x 1.25 = 100%).

As the weekly benefit tables were discontinued for benefit calculation for injuries on or after 1/1/2013, the statute was changed to define “after-tax” as the net weekly amount of the disability benefit reduced by what would have been paid (deducted) for FICA (social security and Medicare) and federal and state income taxes.

As a courtesy, the Board continued to publish weekly benefit tables for five years (through 2017) so the pre-1/1/2013 method could still be used as well. Due to the time and expense involved, the Board discontinued publishing the tables after 2017.

Thus, for injuries on or after 1/1/2018, the after-tax amount must be determined per §221(2)(A)(2).

Example:

Date of injury 2019

AWW \$1,200.00

Weekly WC benefit \$800.00

Weekly disability benefit \$600

Filing status single, no dependents

Pre-tax disability benefit = \$600 x 52 = \$31,200

FICA (SS and Medicare) deduction = 7.62% x \$31,200 = \$2,377.44

Standard deduction for single filer \$12,200 (state and federal)

Personal exemption \$4,200 (Maine only)

Federal taxable income = \$31,200 - \$12,200 = \$19,000

Maine taxable income = \$31,200 - \$12,200 - \$4,200 = \$14,800

Federal tax = \$2,086 (10% of \$9700 + 12% of \$9300)

Maine income tax = \$858.40 (5.8% of \$14,800)

100% after-tax = \$31,200 - \$2,377.44 - \$2,086.00 - \$858.40 = \$25,878.16

Weekly offset = \$25,878.16/52 = \$497.66

Weekly benefit due after offset = \$800 - \$497.66 = \$302.34

Maine Individual Tax Forms, Instructions, Tax Rate Schedules and Tax Tables from 2012 to 2020 are available [here](#).

Federal Individual Tax Forms, Instructions, Tax Rate Schedules and Tax Tables from 2012 to 2020 are available [here](#).