



1999

SCHEDULES 1, 2, 3

Enclose with your Form 1040ME
(See instructions on back)

990211200

Name(s) as shown on Form 1040ME

Your Social Security Number

SCHEDULE 1 — INCOME MODIFICATIONS

1 ADDITIONS — Income exempt from Federal income tax, but taxable by Maine law:
a Income from municipal and state bonds, other than Maine
b Net Operating Loss Recovery Adjustment (attach schedule)
c Maine State Retirement Contributions
d Fiduciary Adjustment
e Other
f Total additions (add lines 1a through 1e)
2 DEDUCTIONS — Income exempt from Maine income tax, but taxable by Federal law:
a U.S. Government Bond interest included in federal adjusted gross income
b State Income Tax Refund (list only if included in federal income)
c Social Security and Railroad Retirement Benefits included in federal adjusted gross income (See instructions)
d Interest from Maine Municipal General Obligation Bonds included in federal adjusted gross income
e Premiums for Long-Term Care Insurance (Do not include health insurance premiums on this line)
f Maine State Retirement System Pick-Up Contributions paid to the taxpayer during 1999 which have been previously taxed by the state
g Federal Work Opportunity Credit
h Other. List (See instructions)
i Total Deductions (add lines 2a through 2h)
3 Net Modification (subtract line 2i from line 1f — enter here and on 1040ME, page 1, line 15 [may be a negative amount])

SCHEDULE 2 — ITEMIZED DEDUCTIONS

4 Total itemized deductions from federal Form 1040, Schedule A, line 28
5 a Income taxes imposed by this state or any other taxing jurisdiction included in line 4 above (from federal Form 1040, Schedule A, line 5 — see instructions if page 1, line 14 exceeds \$126,600 [\$63,300 if Married Filing Separately])
b Deductible costs, included in line 4 above, incurred in the production of Maine exempt income (see instructions)
c Add lines 5a and 5b.
6 Subtract line 5c from line 4
7 Deductible costs of producing Maine taxable income, excluded from line 4 above, incurred in the production of federally exempt income
8 Add lines 6 and 7, enter result here and on 1040ME, page 1, line 17

Note: If the amount on line 8 is less than your allowable standard deduction, use standard.
However, if Married Filing Separately, both spouses must either itemize or use the standard deduction.

SCHEDULE 3 — CREDIT FOR INCOME TAX PAID TO OTHER JURISDICTION — RESIDENT INDIVIDUALS ONLY

You must attach a copy of the out-of-state income tax return

9 Maine adjusted gross income from page 1, line 16
10 Income taxed by (≠ other jurisdiction) included in line 9
11 Percentage of income taxed by other jurisdiction (divide line 10 by line 9)
12 Limitation of Credit:
a Page 1, line 20 \$ multiplied by % on line 11
b Income taxes paid other jurisdiction (not the amount withheld)
13 Allowable Credit, line 12a or 12b, whichever is less. Enter here and on Maine Schedule A, line 7

Special instructions for taxpayers who claim credit for income tax paid to more than one other jurisdiction: Credit for each jurisdiction must be computed separately. Use a separate Schedule 3 for each one. Print the name of the other jurisdiction in the space provided on line 10. Add the results together and enter on Maine Schedule A, line 7.



SCHEDULE 1 — INCOME MODIFICATIONS

Line 1. ADDITIONS. Income exempt from federal income tax, but taxable by Maine law.

Line 1a. Income from municipal and state bonds, other than Maine. Enter the income from municipal and state bonds, other than Maine, that is not included in your federal adjusted gross income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds. **NOTE:** Also include adjustments for the taxpayer's distributive share of such items from partnerships and S Corporations.

Line 1b. Net Operating Loss Recovery Adjustment. Enter on this line:

- (a) The amount of net operating loss for this taxable year that is being carried back to previous taxable years pursuant to United States Internal Revenue Code, Section 172;
- (b) Any amount of net operating loss that has been previously used to offset the modifications provided by 36 M.R.S.A., §5122, Subsection 1.

Line 1c. Maine State Retirement Contributions. Enter the amount of your 1999 Maine State Retirement Contributions on this line. To calculate this amount, subtract your federal wages from your state wages appearing on your State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

Line 1d. Fiduciary Adjustment. If applicable, enter your share of the fiduciary adjustment (36 M.R.S.A., §5122(3) and §5164).

Line 1e. Other. Financial Institution Adjustment. Enter the amount of loss, deductions and other expenses of a financial institution subject to Maine franchise tax that are included in your federal adjusted gross income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner.

Line 2. DEDUCTIONS. Income exempt from Maine income tax, but taxable by federal law. NOTE: You may only subtract the items listed below on this schedule. If you are a part-year resident or a nonresident and have non-Maine source income, see Schedule NR or NRH. If you are a resident of Maine and have income taxed by another state, see Schedule 3.

Line 2a. U.S. Government Bond Interest. Enter your income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds, U.S. Treasury bills and notes. Include on this line only the amount of interest included in your federal adjusted gross income.

Line 2b. State Income Tax Refund (list only if included in federal income). If you list a state or local income tax refund on line 10 of federal Form 1040, enter the amount on this line.

Line 2c. Social Security and Railroad Retirement Benefits included in Federal Adjusted Gross Income. Social Security benefits and Railroad Retirement benefits (Tier 1 and Tier 2) issued by the U.S. Railroad Retirement Board are not taxed by the State of Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable as Maine income.

Line 2d. Interest from Maine Municipal General Obligation Bonds included in Federal Adjusted Gross Income. You may have interest from Maine Municipal General Obligations included in your federal adjusted gross income. Interest from these bonds is exempt from state income tax, even if taxed on the federal return. If you have interest of this type included in your federal adjusted gross income, enter the amount on this line.

Line 2e. Premiums for Long-Term Care Insurance. Enter on this line premiums paid for long-term care insurance. To qualify, the insurance policy on which the premiums are paid must be certified by the Maine Superintendent of Insurance as complying with 24-A M.R.S.A., Chapter 68. To avoid a delay in processing your return, enclose a copy of the front page of your policy with your return. Call the Bureau of Insurance at 624-8475 for further information.

Line 2f. Maine State Retirement System Pick-Up Contributions. Enter contributions that have been paid to you that have been previously taxed by the state. Use this line only if you retired after 1988 and are receiving retirement benefits from the Maine State Retirement System. To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the last check stub of your pension check you received from the Maine State Retirement System in 1999. Also enter on this line distributions that are the result of a rollover whether or not included in federal adjusted gross income.

Line 2g. Federal Work Opportunity Credit. Enter on this line the amount equal to your federal Work Opportunity Credit.

Line 2h. Other Deductions. Enter on this line: Maine Lottery or Tri-State Lottery winnings received in 1999 won prior to January 1, 1987; interest from seller sponsored loans (Title 10, chapter 110); account proceeds from a Family Development Account administered by FAME; net operating losses carried forward from previous tax years pursuant to Title 36 §5122; earnings from fishing operations that were contributed to a capital construction fund; your share of the fiduciary adjustment, if applicable (Title 36 §5122(3) and §5164); withdrawals from Qualified State Tuition Programs established pursuant to Title 20-A, chapter 417-E that were used for paying higher education expenses; and income from investments in the Northern Maine Transmission Corporation. Also enter on this line all items of income, gain, interest, dividends, royalties and other items of income of a financial institution subject to the Maine franchise tax that are included in your federal adjusted gross income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Except for net operating losses carried forward from previous tax years pursuant to Title 36 §5122, enter only amounts included in federal adjusted gross income.

SCHEDULE 2 — ITEMIZED DEDUCTIONS **Note:** If line 14, Form 1040ME, exceeds \$126,600 (\$63,300 if Married filing separate), complete the worksheet below to calculate the amounts for lines 5a and 5b.

Line 4. Total Itemized Deductions. Federal Form 1040. Enter your total itemized deductions as shown on federal Schedule A, line 28.

Line 5a. Income Taxes Imposed by this State or any other Taxing Jurisdiction Included in Line 4. Enter the total of state and local income taxes included in line 4.

Line 5b. Deductible costs, included in Line 4, incurred in the production of Maine exempt income. Enter any interest or other expense items attributable to income not taxable under Maine law.

WORKSHEET (for individuals whose federal adjusted gross income exceeds \$126,600 [\$63,300 if Married filing separate]):

1. Enter total state and local income taxes (from federal Schedule A, line 5) \$ _____
2. Enter federal itemized deductions subject to 3% reduction (from federal itemized deduction worksheet, line 3) _____
3. Divide line 1 by line 2. Enter result here _ _ . _ _ %
4. Enter federal itemized deductions disallowed (from federal itemized deduction worksheet, line 9) _____
5. Multiply line 4 by the percentage on line 3. Enter result here _____
6. Subtract line 5 from line 1. Enter result here and on 1040ME, Schedule 2, line 5a \$ _____

Line 7. Deductible costs of producing taxable Maine income, excluded from line 4, incurred in the production of federally exempt income. Enter any interest or other expense items attributable to income taxable under Maine law, but exempt from federal income tax.

SCHEDULE 3 — CREDIT FOR INCOME TAX PAID TO OTHER JURISDICTION

Residents may claim a credit against Maine income tax for income tax paid to another jurisdiction if all the following conditions are met:

- (1) The other jurisdiction is another state, a political subdivision thereof, the District of Columbia, Canadian Province or any political subdivision of a foreign country that is like a state of the United States.
- (2) The tax paid to the other jurisdiction is directly related to the income received during the tax year covered by this return. Tax payments made to other taxing jurisdictions for prior year tax liabilities cannot be considered when computing this credit.
- (3) The income taxed by the other jurisdiction is derived from sources in that jurisdiction equal to the amount of income after deductions on the other state's return.

A part-year resident can claim credit for tax paid to another jurisdiction on income earned during the period of Maine residency only.

Line 12b is the income tax assessed by the other jurisdiction minus any tax credits (except withholding and estimated tax payments).

Complete a separate Schedule 3 for each jurisdiction you paid tax to and are claiming a credit for. Enclose a copy of each Schedule 3 completed. Add the credits together and enter the total on Schedule A, line 7. **Attach a copy of the income tax return filed with the other jurisdiction.**