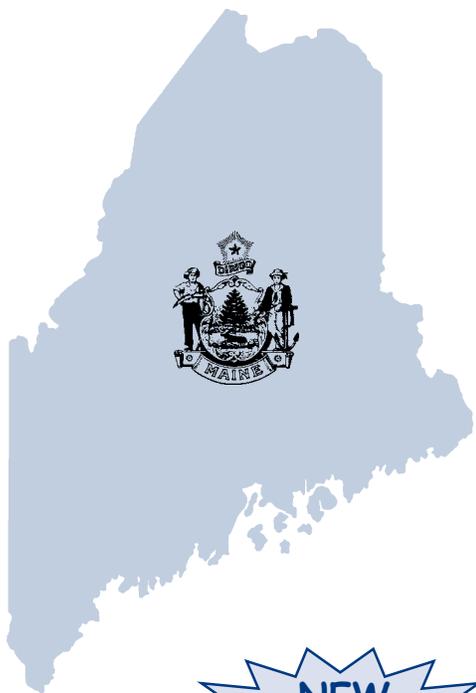


MAINE REVENUE SERVICES
INCOME/ESTATE TAX DIVISION
24 STATE HOUSE STATION
AUGUSTA, ME 04333-0024



This booklet contains:

- ▶ **Schedule NR**
- ▶ **Schedule NRH**
- ▶ **Worksheet A** - Residency Information
- ▶ **Worksheet B** - Income Allocation
- ▶ **Worksheet C** - Employee Apportionment
- ▶ **Instructions** for part-year residents claiming both the credit for tax paid to another jurisdiction and the nonresident credit.

2001

MAINE

Nonresident

&

Part-Year Resident

Individual Income Tax Booklet

The forms in this booklet must be filed
with the **Long Form, 1040ME.**

GENERAL INSTRUCTIONS

SHOULD I FILE A MAINE INCOME TAX RETURN? If you are a nonresident who has income from Maine sources resulting in a Maine income tax liability, you must file a Maine income tax return. However, you may not be required to file if your Maine income or the number of days worked in Maine is less than the thresholds defined in 36 M.R.S.A. § 5142(8) and MRS Rule 806.

MRS **Rule 806** and 36 M.R.S.A. § 5142(8) provide further tax guidance for nonresidents of Maine in the following areas: thresholds that determine when a nonresident individual must file a Maine income tax return, types of income subject to taxation, deduction of losses, apportionment of income to Maine, return form to be used, and determination of taxable income and credits for spouses filing as single individuals.

For a copy of 36 M.R.S.A. § 5142(8) or MRS Rule 806, visit our Web site at www.state.me.us/revenue, call (207) 624-7894, or write Maine Revenue Services, Income/Estate Tax Division, 24 State House Station, Augusta, Maine 04333-0024.

AM I A RESIDENT, PART-YEAR RESIDENT, OR NONRESIDENT?

To determine your residency status for 2001, read the following and check the proper box. Retain this worksheet for your records.

Domicile: Domicile is the place an individual establishes as his or her permanent home and includes the place to which he or she intends to return after any period of absence. A number of factors associated with residency are relevant in the evaluation of a claimed domicile. A domicile, once established, continues until a new, fixed and permanent home is acquired. To change domicile, a taxpayer must exhibit actions consistent with a change. No change of domicile results from moving to a new location if the intent is to remain only for a limited time, even if it is for a relatively long duration. An individual can have only **one** domicile or permanent legal residence for income tax purposes.

Resident:

(1) Maine was my domicile for the entire year of 2001;

or

(2) I maintained a permanent place of abode in Maine for the entire year and spent a total of more than 183 days in Maine;

or

(3) My domicile was in Maine for a part of 2001 and I maintained a permanent place of abode in Maine for the rest of the year. I also spent more than 183 days in Maine.

Part-Year Resident:

(1) My domicile was in Maine for part of the year. I did not maintain a permanent place of abode in Maine for the rest of the year, or I spent less than 183 days in Maine;

or

(2) My domicile was not in Maine at any time during the year. However, I maintained a permanent place of abode in Maine for a part of the year and I spent a total of more than 183 days in Maine during that time.

IF YOU ARE A PART-YEAR RESIDENT, YOU MUST FILE FORM 1040ME WITH SCHEDULE NR OR NRH.

Nonresident:

I was not a resident or part-year resident in 2001, but I do have Maine-source income. **Note: If you filed as a nonresident alien on your federal income tax return, file as a**

nonresident alien on your Maine income tax return, Form 1040ME. Follow the federal filing requirements for filing status, number of exemptions, federal adjusted gross income, and itemized deductions. IF YOU ARE A NONRESIDENT, YOU MUST FILE FORM 1040ME WITH SCHEDULE NR OR NRH.

I AM IN THE ARMED FORCES. WHAT IS MY RESIDENCY STATUS?

Maine Resident: A Maine resident who enters the U.S. armed forces remains a Maine resident throughout the period of military service (even when absent from Maine on military orders) and is subject to the same filing requirements as any other Maine resident. This remains true unless you take legal action to change your residency (domicile) to another state.

Nonresident: If you are not a Maine resident, but are stationed in this state by military orders, your military income is not subject to Maine tax. However, if you or your spouse earned non-military pay in Maine resulting in a Maine income tax liability, you must file Form 1040ME with Schedule NR or NRH.

INSTRUCTIONS FOR MARRIED COUPLES:

WE ARE BOTH FULL-YEAR MAINE RESIDENTS. HOW DO WE FILE WITH MAINE? You must file a Maine return using the same filing status as properly used on your federal return.

I AM A FULL-YEAR MAINE RESIDENT, BUT MY SPOUSE IS NOT. HOW SHOULD WE FILE? If you filed a joint federal return you have two options:

(1) You can choose to file a joint Maine return as if both were full-year Maine residents; **OR**

(2) Each can file a Maine return as a single individual using **Form 1040ME with Schedule NRH**. Each return must reflect the proper residency status. You may choose this option only if you filed a joint federal return. Otherwise, you must file a Maine return using the same filing status as properly used on your federal return.

WE ARE BOTH NONRESIDENTS, FILED A JOINT FEDERAL RETURN, BUT ONLY ONE SPOUSE HAS MAINE-SOURCE INCOME.

You have two options:

(1) You can choose to file a joint Maine return and determine your joint tax liability as nonresidents using **Form 1040ME with Schedule NR; OR**

(2) The spouse who has Maine-source income can choose to file a return as a single individual using **Form 1040ME with Schedule NRH**.

WE ARE BOTH NONRESIDENTS AND BOTH HAVE MAINE-SOURCE INCOME. You must file a Maine return using the same filing status as properly used on your federal income tax return, and you must complete **Form 1040ME and Schedule NR**.

Individuals completing Schedule NR or NRH must also complete and file Worksheets A and B, and Worksheet C if necessary, with their 1040ME Long Form.

Instructions for WORKSHEET B Income Allocation Worksheet

IMPORTANT: Complete Worksheets A and B before completing Schedule NR or Schedule NRH. Also complete Worksheet C, if applicable.

Part-year resident and nonresident individuals **must** complete *Worksheet B* to calculate Maine-source income for the entire taxable year. Married persons filing separate Maine income tax returns must complete separate Worksheets B.

Part-Year Residents: If you are unable to determine the exact amount of income earned during the period of Maine residency, divide the total income earned by 12 and multiply the result by the number of months you were a resident. This method can be used to allocate interest, dividends, pension or annuity distributions or other income received from intangible sources. Generally, this method cannot be used to determine Maine-source business income, rental income, or capital gains since this income is determined on the basis of where the business activity occurs or the location of the property.

NOTE: Line 1. If necessary, use Worksheet C on page 8 to calculate the amount for Columns C and E.

Column A – Federal Income. Enter the amounts of income as reported on your federal return. Both nonresident and part-year resident individuals must complete this column.

Column B – Maine Resident Period. Part-year residents, enter the portion from Column A received during the period you were a Maine resident. If you were a nonresident of Maine for the entire year, skip Columns B and C and complete Columns D and E.

Column C – Resident Period non-Maine-source Income. Part-year residents only - enter income from Column B that you received while a resident of Maine that was earned outside of Maine.

Column D – Nonresident Period. Enter income from Column A that you received during the period you were a nonresident of Maine. Both nonresident and part-year resident individuals must complete this column.

Column E – Nonresident Period Maine-source Income. Both nonresident and part-year resident individuals must complete this column. Enter income from Column D that you received while a nonresident that was derived from or connected with Maine sources, including income from, but not limited to:

- 1) Services performed in Maine;
- 2) Real or tangible personal property located in Maine; and
- 3) Businesses, trades, professions or occupations conducted in Maine.

Instructions for using Worksheet B to complete Schedule NR, line 1.

1. Enter Worksheet B, column A, line 15 on Schedule NR, line 1, box A.
2. Add Worksheet B, column B, line 15 to Worksheet B, column E, line 15. Enter the total on Schedule NR, line 1, box B.
3. Subtract Worksheet B, column E, line 15 from Worksheet B, column D, line 15. Enter the result on Schedule NR, line 1, box C.
4. Follow the instructions for Schedule NR in order to complete lines 2 through 9 on Schedule NR.

Instructions for using Worksheet B to complete Schedule NRH, line 1.

1. Worksheet B, column A, line 15 must equal Schedule NRH, column B, line 1f.
2. Subtract Worksheet B, column E, line 15 from Worksheet B, column D, line 15. Enter the result on Schedule NRH, column C, line 1f. Fill in Schedule NRH, column C, lines 1a through 1e with the appropriate amounts.
3. Follow the instructions for Schedule NRH in order to complete lines 2 through 11 on Schedule NRH.

Instructions for WORKSHEET C Employee Apportionment Worksheet

(Use only if necessary for completing line 1 of Worksheet B)

If your employer requires you to work both inside and outside Maine **and you do not know the actual amount of income you earned in Maine**, you must apportion your income so that only the amount attributable to Maine will be taxed by Maine. Do not complete this worksheet if you know the actual amount of income earned in and outside Maine. *If you have more than one job requiring the use of the worksheet, complete a separate worksheet for each job.* **Note:** Part-year residents may **not** apportion income earned while a resident of Maine. **Use Worksheet C only for the period you were a nonresident of Maine.**

Nonresidents required to apportion their income include:

- 1) An employee who is compensated on an hourly, daily, weekly or monthly basis; **or**
- 2)* Salespersons whose compensation depends upon sales, at least some of which take place outside of Maine; **or**
- 3)* Self-employed nonresidents carrying on a trade or business in Maine and elsewhere; **or**
- 4)* Nonresident Professional Athletes for events held in Maine; **or**
- 5)* Nonresident Entertainers with Maine-source entertainment income.

*These individuals *cannot* use Worksheet C. Instead, see MRS **Rule 806** for guidance on apportioning income to Maine.

Line 1. Wages, Salaries, Tips, Other Compensation. Enter only compensation that needs to be apportioned earned both inside and outside Maine. If you have more than one job requiring the use of the worksheet, complete a separate worksheet for each job. Part-year residents, enter only income earned while a nonresident of Maine.

Line 2. Total days Employed. Enter total number of days employed during the year related to the compensation shown on line 1. Include Saturdays, Sundays, holidays, vacation and sick days, and days worked. For example, if, for the compensation shown on line 1, you worked for Company A from August 1 through December 31, enter "153" on line 2. Part-year residents, enter only the number of days employed while a nonresident of Maine.

Lines 3a - 3f. Non-working days. Enter your non-working days. Your non-working days are days you were not required to work, such as Saturdays, Sundays, holidays, sick days, vacation, and leave with or without pay. Part-year residents, enter only non-working days during the period you were a nonresident of Maine.

Line 6. Working Days Inside Maine. Enter the number of days you worked in Maine. Working days do not include days you were not required to work, such as holidays, sick days, vacations, and paid or unpaid leave. If you spent a working day partly in Maine and partly outside Maine, treat the day as having been spent one-half in Maine.

Line 8. Maine-source Compensation. Multiply line 1 by line 7. Enter the result here and include on Worksheet B, line 1, Column E.

Instructions for Part-year Residents Eligible to Claim Both the Credit for Tax Paid to Other Jurisdictions and the Nonresident Credit

Generally, a part-year resident cannot claim both a nonresident credit (Form 1040ME, line 25) and a credit for income taxes paid to another jurisdiction (Form 1040ME, Schedule A, line 8). However, when a part-year resident of Maine earns income in another jurisdiction both as a resident and as a nonresident of Maine during the same tax year, the part-year resident may be able to claim both credits. The nonresident credit is calculated first and is based on the income earned while a nonresident of Maine. The credit for income taxes paid to another jurisdiction is calculated next and is based on the income earned while a resident. **This is the only time when a part-year resident can claim a credit for tax paid to other jurisdictions.** A part-year resident can usually claim a nonresident credit, provided that the individual had income as a nonresident of Maine. Following are examples of when a taxpayer can or cannot claim both credits:

Both Credits Allowable: A taxpayer lives in New Hampshire and works in Massachusetts. In June, the taxpayer moves from New Hampshire to Maine, but continues to work in Massachusetts. This taxpayer could claim both credits. The nonresident credit would be based on the income earned prior to moving to Maine. The credit for income taxes paid to another jurisdiction would be based on the income earned after moving to Maine that was also taxed by Massachusetts. The income earned before moving to Maine, although taxed by Massachusetts, could not be used when calculating the credit for income taxes paid to another jurisdiction because the taxpayer was not a resident of Maine at the time the income was earned.

Nonresident Credit Only: A taxpayer lives in New Hampshire and works in Massachusetts. In June, the taxpayer moves from New Hampshire to Maine. The job in Massachusetts is terminated at the time of the move and a new job is obtained in Maine. The taxpayer could claim a nonresident credit based on the income earned in Massachusetts while living in New Hampshire. The taxpayer could not claim a credit for income taxes paid to Massachusetts because none of the income taxed by Massachusetts was earned while the taxpayer was a Maine resident.

FOLLOW THESE STEPS IF YOU ARE CLAIMING BOTH CREDITS:

1. The Maine income tax return begins with federal adjusted gross income, regardless of residency status. This establishes the appropriate tax rate to be applied to the taxpayer's income earned in Maine or as a Maine resident. Complete the Maine long form through the Total Tax line (1040ME, line 23). (If filing Schedule NRH, refer to the instructions for Schedule NRH.)
2. Draft Schedule A, Adjustments to Tax, exclusive of the credit for income taxes paid to another jurisdiction. The credit for tax paid to other jurisdictions will be calculated later. Do not calculate the Total Credits on Schedule A, line 25 at this point.
3. Calculate the nonresident credit using Schedule NR/NRH. Complete Schedule NR or NRH according to the instructions on the form.
4. Calculate the Credit for Taxes Paid to Other Jurisdictions on Schedule 3 (page 20 of the long form booklet, Form 1040ME *or use the special Schedule 3 Worksheet available at www.state.me.us/revenue*). Enter on Schedule 3, line 1 the Maine adjusted gross income while a Maine resident (Form 1040ME, line 16 minus Schedule NR, line 6 or Schedule NRH, line 6, column C). Follow the instructions for completing lines 2, 3, and 5 on Schedule 3. On line 4a, enter your Maine tax (**1040ME, line 20 minus line 25**) and multiply the result by the percentage entered on line 3. On line 4b, if income taxes were paid to the other jurisdiction both while a resident and a nonresident of Maine, prorate the amount of income taxes paid to that jurisdiction based on the percentage of the income that was earned while a Maine resident. Enter Schedule 3, line 5 on Maine Schedule A, line 8.
5. Complete Maine Schedule A and the 1040ME long form return. Attach a copy of Schedule 3 and Schedule NR or NRH to your return.

INCOME SUBJECT TO MAINE INCOME TAX

A nonresident individual is subject to Maine income tax on taxable income derived from sources within Maine. This includes the following:

1. Salaries and wages earned working in Maine, including all taxable benefits such as annual and sick leave;
2. Distributive share of income (loss) from partnerships and S Corporations operating in Maine;
3. Shares of trust and estate income derived from Maine sources;
4. Income (loss) attributed to the ownership or disposition of real or tangible personal property in Maine; and
5. Maine State Lottery or Tri-State Lottery winnings from tickets purchased within Maine on or after July 13, 1993.

Income from intangible sources, such as interest, dividends, pensions, annuities, gains or losses attributable to intangible personal property, is not Maine-source income **unless** it is attributable to a business or profession carried on in Maine.

A part-year resident is subject to Maine income tax on all income received while a resident of Maine, plus any income derived from Maine sources during the period of nonresidence.

SHOULD I FILE SCHEDULE NR OR SCHEDULE NRH?

Read the instructions on page 2. You must file Schedule NR if you are a nonresident or part-year resident individual required to file a Maine return, have income not taxable to Maine, and are using the same filing status used on your federal return.

You may elect to file single on the Maine return using Schedule NRH only if your filing status on your federal return is married filing jointly and your residency status is different from that of your spouse or both you and your spouse are nonresidents of Maine, but only one of you has Maine-source income. The nonresident spouse with no Maine-source income does not have to file a Maine return. Do not use Schedule NRH if your filing status on your federal return is single, head-of-household, or married separate.

SCHEDULE NR INSTRUCTIONS

STEP 1 — Complete Worksheets A and B before completing Schedule NR or Schedule NRH.

STEP 2 — Complete Form 1040ME, lines 1 through 24.

Find the amount of Maine income tax as if you were a full-year Maine resident. To do this, complete Form 1040ME, lines 1 through 24. Use your total federal adjusted gross income on line 14.

STEP 3 — Complete Schedule NR to compute your Nonresident Credit.

Line 1. Enter your income from Worksheet B on line 1 (see instructions for Worksheet B on page 3). List your total federal income in Box A. In Box B, list only your Maine-source income. List your non-Maine-source income in Box C.

Line 2. RATIO OF INCOME. Divide your total non-Maine-source income on line 1, Box C, by your total federal income on line 1, Box A. If this ratio is less than 0, enter 0.0000. If it is greater than 100, enter 1.0000.

Line 3. FEDERAL INCOME ADJUSTMENTS — NON-MAINE-SOURCE ONLY. Complete this section only if you have federal income adjustments on federal Form 1040, line 32, or federal Form 1040A, line 18. Multiply your total federal income adjustments by the percentage listed on line 2 of Schedule NR.

Line 4. FEDERAL ADJUSTED GROSS INCOME — NON-MAINE-SOURCE ONLY. Subtract line 3 from line 1, Box C.

Line 5. MODIFICATIONS — NON-MAINE-SOURCE ONLY. Use this section only if you have income modifications entered on Form 1040ME, line 15. Enter your modifications to income from non-Maine sources. Negative modifications must have been included on Worksheet B, column D. For details on these modifications, see the instructions for Schedule 1 (on page 9 of the long form booklet). Do not include taxable refunds of state and local taxes. Prorate the pension deduction (Form 1040ME, Schedule 1, line 2d) based on the percentage of qualified pension income received as a nonresident.

Line 6. NON-MAINE ADJUSTED GROSS INCOME. Add or subtract your total modifications, line 5c, to or from line 4.

Line 7. RATIO OF MAINE ADJUSTED GROSS INCOME. Divide the amount of your non-Maine adjusted gross income, line 6, by your total Maine adjusted gross income from Form 1040ME, line 16. If this ratio is less than 0, enter 0.0000. If it is greater than 100, enter 1.0000.

Line 8. TAX SUBTOTAL. Enter your tax subtotal. This is Form 1040ME, line 20 plus line 21 (except minimum tax) minus lines 22 and 28d, minus Maine Schedule A, lines 5 - 7.

Line 9. NONRESIDENT CREDIT. Multiply the amount on line 8 by the percentage on line 7. This is your Nonresident Credit. Enter the result here and on Form 1040ME, line 25.

Enclose Schedule NR and Worksheets A and B (and Worksheet C, if used) with your Maine return, Form 1040ME. Include a COMPLETE copy of your federal return, including all schedules and worksheets. Enclose W-2 forms from other states or temporary duty (TDY) papers to support entries in Box C. If you filed your federal return using the IRS Telefile system, attach a copy of your Telefile worksheet to your Maine income tax return.

SCHEDULE NRH INSTRUCTIONS

STEP 1. Complete Worksheets A and B before completing Schedule NR or Schedule NRH.

STEP 2. Complete Column A. List Your Joint Income As Reported On Your Joint Federal Return.

Lines 1a through 1f — Total Income. Enter income of both spouses as reported on your joint federal return. Include all income listed on the federal return except taxable refunds, line 10 of federal Form 1040.

Line 5 — Income Modifications/Pension Income Deduction. Complete lines 5a through 5c if you have Maine income modifications or a pension income deduction. See the instructions for Form 1040ME, Schedule 1 and the Worksheet for Pension Income Deduction for details explaining these modifications. Do not include taxable refunds of state and local income tax.

Line 8 — Deductions. If you itemized deductions on your joint federal return, complete Form 1040ME, Schedule 2 to calculate the amount of your joint Maine itemized deductions. Enter the result from Schedule 2, line 7 on this line in Column A. If you claimed the standard deduction on your joint federal return, leave line 8, Column A blank. Additional instructions for the standard deduction are included in step 2 below.

Line 9 — Exemptions. Multiply the number of dependent exemptions claimed on your federal return by \$2,850. Exclude the exemptions for you and your spouse. Enter the result on line 9a in Column A.

STEP 3. Complete Column B. List Your Income.

Lines 1a through 1f. Enter only your income in Column B. Attribute earned income to the spouse who earned it. Divide unearned income (interest, dividends, capital gains, etc.) equally between you and your spouse.

Line 5 — Income Modifications. Enter your share of the income modifications listed in Column A.

Line 8 — Deductions. If you itemized deductions, calculate your share by multiplying the amount on line 8, Column A, by the percentage listed on line 7, Column B. If your share of the itemized deductions is less than the Maine standard deduction for single, use the Maine standard deduction for single.

If you use the standard deduction on your joint federal return, use the Maine standard deduction for single. The Maine standard deduction for a single individual is \$4,550 unless you claimed zero exemptions on your federal return. If so, the standard deduction is the greater of \$750 or the sum of \$250 plus earned income up to a maximum of \$4,550. If you are age 65 or over **or** blind, increase the standard deduction amount by \$1,100. If age 65 or over **and** blind, increase it by \$2,200.

Enter your deduction amount (itemized or standard, whichever is greater) on line 8, Column B.

Line 9 — Exemptions. You are entitled to claim your own personal exemption plus a portion of the dependent exemptions claimed on your joint federal return. Follow the instructions on Schedule NRH to complete lines 9a, 9b and 9c.

Tax Additions and Tax Credits. Refer to the Maine long form booklet, Form 1040ME, Schedule A for the instructions on tax additions and tax credits. If you claim any of the listed additions or individual credits (Maine Schedule A, lines 5, 6 and 7), multiply the joint amount of the individual credits or additions by the percentage listed on line 7, Column B of Schedule NRH. Enter your share on Maine Schedule A to enter the results on Form 1040ME. You may claim 100% of your ownership share of the business credits on Maine Schedule A, lines 8-18 and 20-24.

STEP 4. Complete Form 1040ME. Complete Form 1040ME lines 1-23 using the amounts listed in Column B, Schedule NRH.

Filing Status: Check Single.

Number of Exemptions: Enter total number of exemptions claimed on your joint federal return less the exemption for your spouse.

Lines 14, 15, 16, 17, 18: Enter amounts from Column B of Schedule NRH. Follow the instructions on Schedule NRH.

Line 20: Use the tax amount from the Single column in the tax table for your taxable income as listed on line 19.

Line 31: Use Tax. Enter zero unless you are filing as a resident and have a use tax liability (see specific instructions for line 31 in the long form booklet, Form 1040ME, page 7).

STEP 5. Complete Column C. List in Column C the Non-Maine-Source portion of the income listed in Column B. See page 5 for an overall description of Maine-source and non-Maine-source income. For line 5, prorate the pension deduction based on the percentage of qualified pension income received as a nonresident. Do not include your spouse's income in this column. Supply W-2 forms from other states or temporary duty (TDY) papers to support entries in Column C. If you are filing as a Maine resident, do not complete Column C.

STEP 6. Compute your Nonresident Credit. (If you are filing as a Maine resident, do not complete lines 10 and 11.)

Line 10. Adjusted Maine Income Tax. Enter your adjusted Maine income tax. Take this amount from Form 1040ME, line 20 plus line 21 (except minimum tax) minus lines 22 and 28d, minus Maine Schedule A, lines 5 through 7.

Line 11. Nonresident Credit. Find your nonresident credit by multiplying the amount on line 10 by line 7, Column C. Enter the result here and on Form 1040ME, line 25. This is your nonresident credit.

STEP 7. Complete Form 1040ME. Calculate your balance due or refund by completing the remaining lines on Form 1040ME. Follow the instructions for Form 1040ME.