

MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 8, No. 1

JANUARY 1998

Public Communications Tel: (207) 626-8475

CHANGES FOR UPCOMING FILING SEASON

This edition of Tax Alert will deal primarily with the changes associated with the upcoming season.

PRINTING ERRORS

We have identified several errors in the tax forms which we would like to bring to your attention.

Long Form

1. 1040ME, page 2, line 33 The "NOTE" portion of the instructions reads "If total of lines 31 and 32 are greater than line 27, enter as amount due on line 35c." It should read "if total of lines 31 and 32 are greater than line 29..."
2. Schedule A, Section 1, Line 4 Additions. The line instructions read "enter result here and on 1040ME, Page 1, line 21." The line reference should be Line 22.
3. Schedule NR, line 9. The instructions read "enter result here and on Form 1040ME, line 24." The correct line reference is line 25.
4. Schedule NRH, line 11 has the same erroneous line reference as listed above for Schedule NR.
5. This error applies only to personalized long form books. The standard deduction chart in the specific instructions references block 8 of Form 1040ME instead of block 12 and the chart alignment is off by one row.
6. This error also applies only to personalized long form booklets. There are not enough boxes for the telephone numbers on the front of the return.

Short Form

1. This error applies only to the non-personalized Short Form Booklets that do not contain the Telefile worksheet and instructions. Line 20, Low Income

Credit - The line instructions refer the reader to page 10. The correct page reference is page 7.

TELEFILE EXPANSION

This year certain recipients of labeled 1040S-ME booklets will also have the option to file using the Telefile System. In addition, we expanded the list to include those individuals who were eligible to file a short form last year, but chose to file a long form. A total of 292,500 short form booklets including the Telefile worksheet and instructions have been mailed this year.

CLEAN ELECTION FUND CHECK-OFF

The 1997 Maine individual income tax form includes a new check-off which gives taxpayers the opportunity to direct \$3 to the Clean Election Fund. Unlike other voluntary contributions on Maine tax forms, this option is not an "add-on" and will not increase the amount of tax owed by the taxpayer or reduce the refund.

The new check-off is a result of voter approval of Maine's 1996 campaign finance reform initiative known as the Clean Election Act and is an important step in its implementation. The new law creates the Clean election Fund, which will provide a limited amount of campaign funding to qualified candidates who agree to strict spending limits and accept no private money. This voluntary system will apply to all elections for state office beginning in the year 2000.

The new check-off appears near the beginning of the form, just below the space for the taxpayer's demographic information. If you have any questions about the Clean Election Fund or the check-off, contact Maine Citizens For Clean Elections at (207)780-8657.

LOW-INCOME TAX CREDIT

Individuals whose taxable income is \$2,000 or less are allowed a credit equal to the income tax otherwise due. This credit does not apply to individuals claimed as a dependent on another taxpayer's return or to individuals subject to the state minimum tax.

Individuals eligible for the tax credit are not required to file a return, but should file to receive a refund of any state tax withheld during the year. The 1998 withholding tables have been adjusted for this credit.

Taxpayers holding more than one job or whose income increases unexpectedly should keep a close watch on their earnings to ensure they are not under-withheld at the end of the year.

TAX RELIEF FOR MAINE RESIDENTS

A tax relief fund has been established to increase the personal exemption amount and to provide other tax relief for Maine citizens. Increase in the personal exemption amount is limited to the amount of the federal personal exemption; for tax years beginning on or after January 1, 1997 the increase is \$50, to \$2,150 due to the current appropriation to the fund.

MAINE RESIDENTS PROPERTY TAX AND RENT REFUND PROGRAM

A check-off box has been added to the individual income tax return for Maine residents to indicate whether they would like to receive an application for the Property Tax and Rent Program next summer. This has been added as part of our outreach to increase awareness of the program. The check-off box is located just above the signature area on both the long and short forms.

DIRECT DEPOSIT

For individual taxpayers who elect to have their refund deposited directly into their bank account, the option is available on the return this year rather than on a separate form. The service has also been expanded to include deposits to both checking and savings accounts. If the taxpayer fails to indicate a preference of account type, the deposit will default to a valid checking account. This option is located directly under the refund line on both forms.

To take advantage of direct deposit, the lines must be completed on the return filed. We absolutely will not process requests for direct deposit made after receipt of the original return.

SCHEDULE CP

This year's booklets include a new schedule for voluntary contributions and the purchase of state park passes. We have a couple of reasons for developing this new schedule, including the need to make space for the direct deposit lines.

The second reason is to alleviate an ongoing problem with taxpayers when we issue the Substitute 1099G forms to report tax refunds. We hope that by moving these items and the Use Tax line to the end of the return it will be easier for the taxpayer to recognize that the reportable overpayment does in fact include amounts designated for contributions, park passes or Use Tax.

PARK PASSES

As pointed out in an earlier edition of Tax Alert, taxpayers may now elect to purchase up to 3 state park passes for themselves and others when they file an individual income tax return. The cost is \$20 for an individual season pass or \$40 for a vehicle season pass. An individual pass allows only the pass holder free day use of most Maine State parks and historic sites. A vehicle pass allows all occupants of the vehicle free day use. Any pass purchased will reduce the amount of refund or increase the amount due with the return. If there are insufficient funds to cover the costs of a park pass request, the taxpayer will receive a denial notice.

Please note that senior citizens can get free passes directly from the Bureau of Parks and Lands and should not apply for a pass on Schedule CP. Any questions regarding the purchase of Park passes or errors on a pass must be directed to the Bureau of Parks and Lands at (207)287-3821.

USE TAX

The Use Tax line has been moved into the overpayment or balance due portion of the return after the actual tax calculation. As in past years, an entry must be made on this line or a use tax liability

will be automatically calculated when the return is processed. If the taxpayer is not liable for any use tax, you must enter a zero; we can no longer accept lines or other marks through the box which are unrecognizable by the scanning equipment.

TAX TABLES

The tax tables in both booklets are now listed in \$100 increments, instead of \$50, and the long form table has been expanded to \$100,000. All taxable income beyond the table limits is taxed at the maximum rate of 8.5%.

EXTENSIONS

Maine now has a generic extension form to be used for Individual Income Tax, Fiduciary Tax, Corporate and Franchise Taxes. Form 4477ME must be filed by the original due date of the return to avoid failure to file penalties. At least 90% of the tax liability must be paid with the extension request by the original due date to avoid failure to pay penalties. Even if you don't expect your client to owe additional tax, a timely filed extension will prevent a failure to file penalty if the taxpayer is unexpectedly underpaid at the time the return is filed.

Maine Revenue Services will continue to accept copies of federal extension requests provided they are timely filed.

Form 4477ME was recently added to Form 2333ME, but included with this edition of Tax Alert is a separate order form in case you have already placed your order for forms on the old Form 2333ME.

POLICY CHANGES

W2 and 1099 Forms Filed with Individual Income Tax Returns

In an effort to reduce the number of W2 forms lost within the system, Maine Revenue Services will accept W2 and 1099 forms photocopied onto 8 1/2" by 11" paper. An added benefit for us is that this size paper is more compatible with the scanning

equipment which should improve processing time. You can photocopy as many W2 and/or 1099 forms as will fit on one side of a sheet of paper. The only stipulation is that the photocopies must be legible and the figures cannot be traced over or show any other signs of alteration. If the W2 forms provided by your client's employer are very faint, it is advised to send the original form in with the return so Maine Revenue Services staff can verify figures if necessary.

Nonresident Credit

Nonresidents are to be given the full benefit of business related tax credits against the Maine tax liability. The term "applicable tax credits" in 36 M.R.S.A. ' 5111(4) is interpreted to mean the credits identified under ' 5218, ' 5219(A) and ' 5219(J); specifically, the child care credit, credit for the elderly, and, for tax years 1994 through 1996, the catastrophic health care credit.

TO AVOID PROCESSING DELAYS

1. If you are not using a computer program, complete the return in black or blue ink. **DO NOT USE RED.**
2. Do not staple attachments to the return.
3. Include copies of all W2 and/or 1099 Forms which reflect state tax withheld.
4. Verify clients' name, social security number, and address on personalized forms.
5. Remind your clients that normal processing time is 4-6 weeks. If they must call about the status of their refund, encourage them to use the automated telerefund line [\(207\)626-8461](tel:2076268461). This line is open 24 hours a day, 7 days a week and is updated weekly.

PRACTITIONER HOTLINE

The Practitioner Hotline number is [\(207\)626-8458](tel:2076268458). While we try to keep this line manned at all times, it is sometimes necessary to leave a message. If that happens to you, leave your name and telephone number along with your client's name and account number. We'll be that much better prepared to help you when we return your call.

HAPPY FILING!!

MAINE REVENUE SERVICES <http://janus.state.me.us/revenue>

...Order tax forms through the WebPage?...YES!

SUGGESTIONS FOR TAX ALERT?

Please contact: **Maine Revenue Services**
 Public Communications Director
 24 State House Station
 Augusta, ME 04333-0024

STATE OF MAINE Angus S. King, Governor Janet E. Waldron, Commissioner Administrative and Financial Services Brian H. Mahany, Executive Director
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TAX QUESTIONS? PLEASE CONTACT US:

Maine Revenue Services	(207)287-2076	FAX (207) 287-4028
Central Registration	(207)287-2338	FAX (207) 287-3733
Collections & Compliance	(207)287-3301	FAX (207) 287-6627
Corporate Tax	(207)624-7876	FAX (207) 287-4028
Electronic Funds Transfer	(207)287-8276	FAX (207) 287-6396
Estate Tax	(207)626-8480	FAX (207) 287-4028
Excise Tax	(207)287-3851	FAX (207) 287-6628
Forms Request Line	(207)624-7894	FAX (207) 622-3517
Income Tax Assistance	(207)626-8475	FAX (207) 287-4028
Paym't Plans/Income Tax	(207)621-4300	FAX (207) 621-4328
Payment Plans/ Other	(207)287-3301	FAX (207) 287-4028
Practitioners' Hotline	(207)626-8458	FAX (207) 287-4028
Property Tax	(207)287-2011	FAX (207) 287-6396
Sales Tax	(207)287-2336	FAX (207) 287-6628
Taxpayer Advocate	(207)287-4562	FAX (207) 287-6627
TTY Service	(207)287-4477	-----
Withholding Tax	(207)626-8475	FAX (207) 287-4028

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24 State House Station

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