



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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Public Communications Tel: (207) 626-8475

LAST CHANCE - MAINE TAX FORUM

Don't forget to register for the Maine Tax Forum to be held at the Augusta Civic Center on December 2-3, 1998. Sponsored by Thomas College, Maine Revenue Services and the Internal Revenue Service, a comprehensive program covering both federal and state tax law changes and policy has been developed, as well as a concurrent sales tax symposium. Contact Chris Ward at (207) 287-2076.

TAX ALERT SURVEY RESULTS

Maine Revenue Services has received 250 responses to the survey in the August issue of the Tax Alert. The employment of survey respondents was made up of 58 percent from public accounting, 30 percent from private companies and 12 percent from government/not for profit, law firms, education/teaching or other organizations. The survey results indicated that 71 percent of those responding felt that our service during last tax season was excellent or above average, and 64 percent of those responding indicated that our service improved greatly or improved somewhat over the last year.

Comments received on the survey will be addressed in the Tax Alert. The tax calendar you received in last month's issue was in answer to a suggestion received in this year's survey. If you have not sent in the Tax Alert Survey but still have it (it is also available on our web page) and would like to send in a suggestion please do so. Those surveys will be read and suggestions will be considered.

MAINE FORM W-4ME EFFECTIVE JANUARY 1, 1999

Following the Public Hearing on September 29, 1998, Maine Revenue Services has responded to comments given and issued its' own payroll withholding form, a Maine W-4. Maine has designed Form W-4ME to be used for calculation of employee withholding allowances for state income tax purposes. The new form became necessary because of the addition of a personal allowance on the federal W-4 for taxpayers that meet the federal guidelines for the child tax credit. Because the credit is not available on the state tax

form, employees claiming the allowance would be under withheld

for state tax purposes. The new Maine W-4ME accommodates the exclusion of this allowance for Maine purposes.

The new form will allow employees to claim fewer allowances for state tax purposes and request additional Maine income tax withheld as needed. Employees wishing to claim a greater number of allowances on the state Form W-4ME than what is claimed on the federal W-4 will need to get special permission granted by the Executive Director of Maine Revenue Services. In such cases, the employee will provide a copy of the "Withholding Exemption Variance Certificate" issued by the Executive Director.

Beginning on January 1, 1999, all new employees and all employees who make changes to their federal W-4 must also complete Form W-4ME. In the future, all employees may be required to complete Form W-4ME. You may photocopy the enclosed form W-4ME as needed or additional copies may be ordered using the enclosed Order Form 2333W-ME. Rule 803, withholding tax reports and payments, is currently being updated to reflect the new Maine Form W-4ME requirements. The rule, once updated, will be posted to our web site.

RULE 102

Maine Revenue Services has officially promulgated a rule covering the remittance of taxes by electronic transfer. Effective January 1, 1999, certain large taxpayers, and all payroll processors, will be required to remit electronically. Payroll processors and taxpayers will be individually notified by Maine Revenue Services if mandated. Call (207)287-8276 for more information or to get a copy of Rule 102. The Rule is also available on our web site.

RULE 808

Maine Revenue Services has proposed an amendment to Rule 808, "Corporate Income Tax Nexus." The change would provide that the activities in Maine of an independent contractor will be imputed to a foreign corporation to the

extent allowed by the U. S. Constitution. The comment period expires December 15, 1998. Contact David Bauer for details, (207)287-2076.

MAINE FIDUCIARY ESTIMATE TAX

Maine's fiduciary 1041ES-ME filing requirements differ from federal's. Federal law allows two years after a decedent's death to require estimated tax payments. Maine 1041 estimate payments are required to be made after the first year filing. To reference Maine law see Title 36 ' 5228.

FILE YOUR EMPLOYER'S COMBINED QUARTERLY REPORT OVER THE INTERNET!

Beginning with reports filed for the third quarter of 1998, most Maine employers have the option of filing their Employer's Combined Quarterly Report over the Internet. Internet filing eliminates the need to fill out paper forms - you just enter the payroll tax information directly into your PC. You can pay the tax you owe using ACH debit or credit method electronic funds transfer (EFT) or you can send us a check. The credit method requires registration with the EFT Unit. To receive setup information call (207)287-8276.

To get started with Internet filing, you will need an Internet browser (Netscape or Internet Explorer, version 3.0 or higher, is recommended). When filing over the Internet for the first time, you will be asked to identify yourself by providing unique information from your account. You will then select a password that only you know. Your password must be provided each time you file a return over the Internet.

You can use the Internet to file only for the current quarter (the calendar quarter most recently ended). You cannot use the Internet to file an overdue return for a prior quarter, or to file an amended return.

The Internet filing application will total your withholding payments and reportable wages automatically, and will point out any errors it detects. Unless you report wage detail information using magnetic media, your employees will be listed in order by Social Security number in the wage detail entry screen. You can add or change employee information if appropriate. You can also print a paper copy of the completed return for your records.

If you have 250 or more employees, you are required to report wage detail information via magnetic media. You may use the Internet to file parts 1, 2, and 3 of your return, but you will still be required to file part 4 (the wage detail listing) on magnetic media.

If you currently report wage detail information using magnetic media but are not required do so, you may use the Internet to file your entire return including the wage detail portion. If you choose to convert from magnetic media to Internet reporting of wage detail information, the first time

you do so you will have to enter the names and SSNs of all employees who were paid wages in that quarter. After the first

filing the wage detail information from the prior period will be available for you to update as needed.

The Internet application does not support name or address changes. To notify us of a change in name or address, you must complete and send us the change form from page 3 of your booklet. If your business has closed or if the ownership of the business has changed, you must send us the cancellation notice from the booklet (Form 941/C1-ME, page 2).

The following types of employers are currently excluded from Internet filing:

- ‡ **Common Pay Agents** (two or more related corporations that report Maine income tax withholding on a single return).
- ‡ **Employee Leasing Companies** (businesses that lease employees who perform services for client companies without the client company having severed an employer-employee relationship).
- ‡ **Seasonal Filers** (employers in industries that have been designated as seasonal by the Maine Unemployment Insurance Commission).
- ‡ **Confidential Payroll Filers** (employers that have obtained Department of Labor authorization to exclude certain wage detail information).
- ‡ **Master Subsidiary Filers** (companies with more than one unemployment contributions account linked to the same EIN).
- ‡ **Withholding Only Filers** (employers that withhold Maine income tax but are not subject to unemployment contributions).
- ‡ **Unemployment Only Filers** (employers that are subject to unemployment contributions, but are not liable to withhold Maine income tax).

COURT DECISIONS

State v. Timothy F. Levesque

Timothy F. Levesque of Bucksport, Maine pleaded guilty to six counts of failure to file income tax returns in the Ellsworth District Court before Judge John Romei on July 17, 1998. These six counts represented Levesque's failure to file returns for the years 1991-1996. Levesque also failed to file returns for 1989 and 1990. Though these years were beyond the statute of limitations, restitution for these years was ordered as part of the overall plea agreement. Levesque, a civilian police dispatcher with the Maine State Police, represented himself before the court.

Pursuant to the plea agreement with Mr. Levesque, Judge Romei sentenced Levesque to 18 months all but five days suspended, with two years probation and fines totaling \$2,000. Levesque will serve his jail sentence at the Hancock County jail starting on August 24, 1998.

Restitution of \$5,874.21 was ordered to be paid to the Maine Revenue Services at the rate of \$250 per month. The fines will be paid to the court at the rate of \$150 per month. A second special condition of probation is that Mr. Levesque must file all future returns and pay all future taxes on time.

State v. Bruce A. Carter

Bruce A. Carter of Springvale, Maine pleaded guilty to six counts of failure to file Maine income tax returns in the Springvale District Court. Carter appeared before Judge Andre Janelle on August 5, 1998. These six charges represented Carter's failure to file returns for the years 1992-1997. Carter owns and operates a furniture moving company in Massachusetts, but has lived in Maine since 1990.

Judge Janelle accepted the State's recommendation and sentenced Carter to 27 months all but 15 days suspended, with three years probation and fines totaling \$750. Carter must pay restitution during his three years of probation in an amount not to exceed \$50,000. He must also file all overdue returns by October 15, 1998, and file and pay all future taxes on time. Carter will begin his jail sentence on November 2, 1998.

State v. Jerry Townsend

Jerry Townsend of Dexter, Maine entered a guilty plea in Penobscot County Superior Court before Justice Andrew Mead to one count of Operating a Retail Business without a valid Sales Tax Registration Certificate. This was a Class D offense because the certificate of his business, Olmstead Jewelers, had been revoked for failure to pay over collected sales taxes. Pursuant to a plea agreement, Mr. Townsend was sentenced to a \$500 fine.

State v. Colleen Crawford

Colleen Crawford, owner of the Newport Floral Shop in Newport, Maine, entered an admission to a probation violation in the Newport District Court before Judge James MacMichael on September 9, 1998. Crawford had been convicted in January, 1998 of several counts of failing to truthfully account for and pay over sales tax, and violation of bail conditions. As a special condition of probation she was to make restitution payments and file and pay all future taxes on time. Delayed payment of restitution and March 1998 sales tax filing and payment lead to the probation violation. On the day of the hearing Ms. Craeford made the delayed payments and filed March 1998 sales tax. Sentencing was continued on the violation for 60 days to see if there are any further problems with her probation.

State v. Preston Beal

Preston Beal of Rockland, Maine pleaded guilty to six counts of failure to file Maine income tax returns in the Knox County Superior Court before Justice Francis Marsano, on September 11, 1998. Pursuant to a plea agreement Mr. Beal was sentenced to 18 months, all but 30 days suspended, three years probation, and payment of fines equaling \$1,500. He must also file and pay all future taxes on time and pay restitution equaling \$7,200 at a rate of \$200 per month. Mr. Beal remains civilly liable to Maine Revenue Services for additional tax, interest and penalty. Beal is currently a carpenter/maintenance worker in Rockland.

State v. Steven R. Vallee

Steven R. Vallee of Old Orchard Beach, Maine pleaded guilty to three criminal counts of failure to file Maine income tax returns, in Biddeford District Court on August 14, 1998. These offenses represent failure to file returns for tax years 1994-1996. Vallee was sentenced to a \$300 fine on each count. Mr. Vallee was a Bath Iron Works employee who did not file his income tax returns even though income tax was withheld from his salary.

State v. Christopher M. Miller

Christopher M. Miller of Lewiston, Maine pleaded guilty to five counts of failure to file Maine income tax returns, in Lewiston District Court on August 13, 1998. These offenses represent failure to file returns for tax years 1991-1995. Pursuant to a plea agreement, Miller was sentenced to 18 months, all but 10 days suspended, two years probation, and fines totaling \$1,500. Mr. Miller was ordered to pay restitution in the amount of \$6,520 within 45 days. Mr. Miller is another Bath Iron Works employee that had falsified W-4 forms to reduce withholding, and then never filed tax returns.

State v. Judith Parker

Judith Parker of Peak's Island, Maine entered guilty pleas to two counts of "Failure to Truthfully Account for and Pay Over Collected Sales Tax" in the Cumberland Superior Court before Chief Justice Margaret Kravchuk on September 10, 1998. Parker and her ex-husband Douglass Day were both charged for having collected sales tax at their Peaks Island Restaurant, "Wills", but not paying it over during the fall of 1990 through the fall of 1996. Sales taxes totaling \$64,000 were collected but never paid over. Douglas Day pleaded guilty 10 months ago and was sentenced to jail, probation, and to pay lump sum restitution in the amount of \$25,000. Parker refused to enter a negotiated plea at that time and was charged with five counts of "Failure to Truthfully Account for and Pay Over Collected Sales Tax", and one Class B count of "Theft by Misapplication" in the District court with the prospect of an indictment for a felony count.

A plea agreement was finally reached in the Superior Court that gave Parker the same sentence as her ex-husband, except for the issue of restitution. She was sentenced to 18 months all but 21 days suspended. She also is required to file any future tax returns and make any future tax payments in a timely fashion.

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

TAX QUESTIONS? PLEASE CONTACT US:

Webmaster_tax@state.me.us or call

STATE OF MAINE

Angus S. King, Governor

Janet E. Waldron, Commissioner
Administrative and Financial Services

Elaine L. Corrow, Acting Executive
Director

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)287-3301	FAX (207) 287-6627
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

Augusta ME 04333-0024

Return Service Requested