



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 20, No. 11

December, 2010

Public Communications Tel: (207) 626-8478

2010 Maine Tax Forms

Availability of Forms

Most income tax forms for tax year 2010 have been posted to the Maine Revenue Services (MRS) web site at www.maine.gov/revenue/forms. All downloadable forms posted on the MRS web site are suitable for printing and filing with the bureau.

Form 2333ME for ordering 2010 tax forms is now available at www.maine.gov/revenue/forms/orderhome.html. A printed version of Form 2333ME is also available by calling (207) 624-7894.

Guidance Materials

During the summer and fall, the Income/Estate Tax Division has been updating instructional material for taxpayers and tax professionals. Revised guidance documents include those for estate tax, Pine Tree Development Zones, net operating loss modifications and bonus depreciation adjustments. Additional guidance for partnership/S corporation filing, income modifications and tax credits should be completed and available on the MRS web site by mid-January.

The Income/Estate Tax Division also has been updating the several categories of frequently asked questions on the MRS web site. Questions and answers for corporate income tax, the Business Equipment Tax Reimbursement program, estate tax, and withholding for partnerships and S corporations have been updated. Also available are revised questions and answers for tax withholding from sales of real estate by nonresidents (real estate withholding) and income tax withholding for employers. Changes to the frequently asked questions for insurance premiums tax and the quality child care investment tax credit will be finalized soon.

Individual and Corporate Income Tax Booklets

To save printing and mailing costs, the number of pages included in the 2010 individual income tax long form booklets have been reduced. Other significant changes to the 2010 individual and corporate income tax forms include:

- An addition modification for the amount of discharge of indebtedness deferred for federal tax purposes in accordance with Code § 108(i). To avoid duplicating the income for Maine tax purposes, a deduction modification is allowed in future years when the income is claimed on the federal income tax return (see next bullet below). (Form 1040ME, Schedule 1, line 1f and Form 1120ME, line 4e);
- A subtraction modification equal to the amount of discharge of indebtedness amounts

included in federal income deferred for federal tax purposes but not for Maine tax purposes during 2009. (Form 1040ME, Schedule 1, line 2k and Form 1120ME, line 2j);

- A subtraction modification equal to the amount of loan payments made by employers included in the federal adjusted gross income of individuals qualified for the opportunity Maine credit (Form 1040ME, Schedule 1, line 2k);
- The Maine earned income tax credit, for tax years beginning in 2010, has been reduced from 5% of the federal credit to 4% of the federal credit. (Form 1040ME, Schedule A, line 7).

In addition, Maine and federal net operating loss carryover deductions are not allowed for Maine tax purposes for tax years beginning in 2009, 2010 and 2011. The Maine subtraction modification line to recapture NOL deductions previously disallowed has been removed and will not appear on Maine tax forms for 2009, 2010 and 2011. The disallowance of NOL deductions in 2009, 2010 and 2011 may be recaptured through subtraction modifications that will be allowed for tax years beginning after 2011. The recapture must be made during the federal carryover period plus the number of years the NOL deduction was disallowed.

For more information on these and other changes, see specific line instructions and the 2010 summary of legislative changes at www.maine.gov/revenue/.

Changes to Form 1065ME/1120S-ME and Schedule PSI for 2010

Maine Revenue Services has redesigned the Information Return for Partnerships and S Corporations (Form 1065ME/1120S-ME) and the Listing of Partner/Shareholder Income (Schedule PSI) for 2010. The changes more closely conform the information on those forms with the income tax filings of pass-through entity members. You can view the new forms at www.maine.gov/revenue/forms/ptnrscorp/2010.htm.

Significant differences between the 2009 and 2010 versions of the forms and instructions are outlined below.

2010 Form 1065ME/1120S-ME

- Line 3 contains new questions that require yes or no responses.
- Lines 4a through 4f have been replaced with new lines 4 through 10.
- New lines 11 through 23 encompass reporting of certain Maine income modifications and withholding amounts.

Schedule NRC has been eliminated for tax years beginning in 2010 and later.

2010 Schedule PSI

- Schedule PSI now spans a single page for *each* member.
- Checkboxes are now included in the demographic area to better identify the entity type and residency status of the member.
- New lines 1 through 17 provide more thorough information on Maine income items. Related recipient instructions are also included.

Contact Maine Revenue Services at 207-624-9670 or by email at partner-scorp.tax@maine.gov if you have any questions about how to complete and file the new forms.

14th Annual Maine Tax Forum

The 14th Annual Maine Tax Forum, hosted by Maine Revenue Services, the Internal Revenue Service and Thomas College, was held November 3rd and 4th at the Augusta Civic Center. Over 700 individuals registered to attend the forum. Governor John E. Baldacci served as Keynote Speaker and Featured Speaker Matthew Weir, Executive Director, Case Advocacy, Taxpayer Advocate's Office, Internal Revenue Service presented *2010 Initiatives of the Taxpayer Advocacy Service*. Other sessions included Federal and Maine Income Tax Developments, Ethics – Confidentiality and Other Key Professional Standards, Choice of Entity (Partnership, LLC, S-corp, C-corp), Nexus Issues – Income and Sales Tax, Case Law, and IRS Initiatives.

The 15th Annual Maine Tax Forum is **tentatively** scheduled for November 2nd and 3rd, 2011. Registration material for next year's forum is scheduled to be available in August or September 2011.

7th Annual Employment Tax Seminar

Maine Revenue Services held its 7th annual Maine Employment Tax Seminar on Wednesday, December 1st. Speakers from Maine Revenue Services, the Maine Department of Labor, the Internal Revenue Service, the Social Security Administration and Maine Employers' Mutual Insurance Company spoke about state and federal employment taxes, workers compensation rules, employer misclassification and employee retirement plans. The seminar, held at the Augusta Civic Center, was attended by approximately 275 people. Attendees included payroll professionals, tax practitioners, and state employees from Maine Revenue Services and the Dept. of Labor.

The 8th Annual Employment Tax Seminar is **tentatively** scheduled for November 30, 2011. Registration material for next year's seminar is scheduled to be available in August or September 2011.

Maine Revenue Services Rulemaking Activity

Amendments to Rule 703, “Exempt Sales of Cigarettes.” Maine Revenue Services is proposing to amend Rule 703 (“Exempt Sales of Cigarettes”). This rule has been in place for many years and simply explains the circumstances under which cigarettes may be sold free of the cigarette excise imposed by Title 36 Chapter 703. The proposed amendments update the rule to make it consistent with recent statutory changes.

Proposed amended rule 703 may be seen on the MRS web site at www.maine.gov/revenue (select Laws & Rules) or obtained upon request. The comment deadline is January 10, 2011. Comments should be directed to David Bauer, Tax Policy Analyst, Maine Revenue Services, Augusta, ME 04333 or by e-mail at david.e.bauer@maine.gov.

Adopted Rule 601, “Estate Tax.” This rule last amended earlier this year, provides comprehensive definitions and explanations of statutory terms and procedures for Maine estate tax returns. The adopted Rule enhances the domicile discussion in section .07(B) to provide more guidance in determining the domicile of the decedent at the time of death, including relevant factors, reference to income tax factors and the factors excluded from consideration. The domicile discussion provides guidance to the executors of estates when the decedent was incapacitated. In section .08 (A), the ME QTIP calculation is explained for estates of decedents dying on or after 1/1/2010. Various other editorial changes were made.

Rule 601 can be found on the MRS web site at www.maine.gov/revenue (select Laws & Rules).

Adopted Rule 807, “Residency.” MRS has adopted new Rule 807 on the topic of residency. The current guidance document on the subject has become important for taxpayers, practitioners and MRS to rely on for information. The contents of the guidance document were adapted to the regulatory format and updated with additional information for guardians of incapacitated individuals and individuals residing in residential care facilities and new guidance to spouses of military personnel.

Rule 807 can be found on the MRS web site at www.maine.gov/revenue (select Laws & Rules).

Sales Tax Bulletins

The Sales Tax Division has recently made revisions to the following sales tax bulletins which can be viewed at <http://www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm>

IB 13 – Sales of Fuel and Utilities

IB 30 – Transportation Charges

IB 31 – Sales of Mobile and Modular Homes

IB 32 – Rentals of Living Quarters

IB 41 – Medicines, Medical Equipment and Prosthetic Devices

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 287-2076	(207) 287-5855	
Appellate	(207) 624-9854	(207) 287-3618	
Central Registration	(207) 621-5129	(207) 287-3733	division.uctax@maine.gov
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Corporate Tax	(207) 624-9670	(207) 624-9694	corporate.tax@maine.gov
Economic Research	(207) 624-9789	(207) 287-3618	
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 287-6628	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	efunds.transfer@maine.gov
Estate & Fiduciary Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel Tax	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894		
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	compliance.tax@maine.gov
Payment Plan/Other	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2013	(207) 287-6396	prop.tax@maine.gov
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@maine.gov
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	taxpayer.advocate@maine.gov
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@maine.gov
Tax Violations Hot Line	(207) 624-9600		

This publication is designed to keep taxpayers, tax practitioners and the general public informed of developments, problems, questions and matters of general interest concerning Maine tax law, policy and procedure. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for Maine tax laws and/or regulations.

Suggestions for the Tax Alert?

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