



MAINE TAX ALERT

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Maine Tax Reform Act – Suspended

On November 9, 2009, the Maine Secretary of State determined that the people's veto initiative regarding "An Act to Implement Tax Relief and Tax Reform" ("Tax Reform Act") had gathered sufficient signatures to put the Act to a citizens' referendum vote in June 2010. However, a challenge to that certification was subsequently filed in Superior Court. If after the court review process the final decision is that there were not enough signatures, then the Act will take effect the day after that final determination. If the final judicial decision is that the repeal petition is sufficient, the Act remains suspended pending the referendum vote in June.

The 2010 withholding tables booklet and 2010 estimated tax worksheets for individuals reflect current tax law for 2010 (i.e., *not* based on the currently suspended Tax Reform Act), using the inflation-adjusted graduated tax rate schedules with a top marginal rate of 8.5%. MRS will provide detailed guidance at a later date if the Tax Reform Act goes into effect.

2009 Maine Tax Forms

Form 2333ME for ordering 2009 tax forms is now available on the Maine Revenue Services web site at www.maine.gov/revenue/forms/general/Form2333_09.pdf. A printed version of Form 2333ME is also available by calling (207) 624-7894 to leave your name and address.

Limited Power of Attorney Form

Maine Revenue Services (MRS) has developed a limited power of attorney form that may be used by a taxpayer to authorize employees of the Bureau to discuss taxpayer information with a designated representative of the taxpayer. The simplified form does not revoke other power of attorney forms on file with MRS. The form is available for download at www.maine.gov/revenue/forms/general/Limited%20POA.pdf.

MRS Rulemaking Activity

Rule 101, "Calculation of Interest" available at www.maine.gov/revenue/rules, has been amended to inform taxpayers of the standard interest rate that is charged against unpaid taxes and paid by the State on overpayment of taxes. The interest rate is set annually by the State Tax Assessor in accordance with 36 MRSA § 186. The changes to Rule 101 are effective November 11, 2009.

Maine Taxation of Military Spouse Income

On November 11, 2009, President Obama signed the Military Spouses Residency Relief Act (S. 475). The Act amends the Servicemember Civil Relief Act to provide that a spouse of a servicemember may retain residency in their home state for voting and tax purposes if they move to another state to be with their spouse who is in the state due to military orders.

For tax years beginning in 2009 and thereafter, income earned in Maine by a servicemember's spouse who is not a Maine resident and is domiciled in another state may not be considered Maine-source income. Previously, all income earned in Maine by a military spouse was considered Maine-source income and taxed as such. The Act does **not** exempt non-military income of a servicemember earned in Maine from Maine tax.

Note that due to the diminished military presence in the state, the impact on Maine income tax is expected to be minimal.

13th Annual Maine Tax Forum

The 13th Annual Maine Tax Forum, hosted by Maine Revenue Services, the Internal Revenue Service and Thomas College, was held November 4 and 5 at the Augusta Civic Center. Over 700 individuals registered to attend this year's forum. Keynote Speaker William P. Marshall, Director, Examination (North Atlantic Area) Internal Revenue Service, Small Business/Self-Employed Division, presented *2010 Program Priorities of the Small Business/Self-Employed Division*. Other sessions included Federal and Maine Income Tax Developments, Ethics - Current Initiatives from the Office of Professional Responsibility (OPR), Maine Pass-through Entity Filing Requirements and Compliance Activities, Maine DOL - Employee Misclassification, Investment Strategies - Retirement and Estate Planning, Economic Developments - Maine Tax Initiatives, Case Law, IRS Initiatives, and Maine Tax Reform changes and issues.

The 14th Annual Maine Tax Forum is **tentatively** scheduled for November 3rd and 4th, 2010. Registration material for next year's forum is scheduled to be available in August or September 2010.

2010 Maine Individual Income Tax Rates

Below are the individual income tax rate schedules for tax years beginning in 2010. The rate schedules for 2009 are found at www.maine.gov/revenue/forms/1040/2009/RateSched09.pdf.

Note: The 2010 tax rate schedule dollar bracket amounts are adjusted by multiplying the cost-of-living adjustment, 1.185, by the dollar amounts of the tax rate tables specified in 36 M.R.S.A. § 5111 subsections 1-B, 2-B and 3-B (see 36 M.R.S.A. § 5403). The personal exemption amount is not subject to the inflation adjustment for tax year 2010.

Do not use these tax rate schedules to determine income tax withholding from wages.

Tax Rate Schedule #1

For Single Individuals and Married Persons Filing Separate Returns

If the taxable income is:	The tax is:
Less than \$4,950	2.0% of the taxable income
\$ 4,950 but less than \$ 9,850	\$ 99 plus 4.5% of excess over \$ 4,950
\$ 9,850 but less than \$19,750	\$ 320 plus 7.0% of excess over \$ 9,850
\$ 19,750 or more	\$1,013 plus 8.5% of excess over \$19,750

Tax Rate Schedule #2

For Unmarried or Legally Separated Individuals who Qualify as Heads-of-Households

If the taxable income is:	The tax is:
Less than \$7,450	2.0% of the taxable income
\$ 7,450 but less than \$14,800	\$ 149 plus 4.5% of excess over \$ 7,450
\$ 14,800 but less than \$29,650	\$ 480 plus 7.0% of excess over \$14,800
\$ 29,650 or more	\$1,520 plus 8.5% of excess over \$29,650

Tax Rate Schedule #3

For Married Individuals and Surviving Spouses Filing Joint Returns

If the taxable income is:	The tax is:
Less than \$9,950	2.0% of the taxable income
\$ 9,950 but less than \$19,750	\$ 199 plus 4.5% of excess over \$ 9,950
\$ 19,750 but less than \$39,550	\$ 640 plus 7.0% of excess over \$19,750
\$ 39,550 or more	\$2,026 plus 8.5% of excess over \$39,550

Personal Exemption: \$2,850

Standard Deduction: Single - \$5,700

Head-of-Household - \$8,400

Married Filing Jointly - \$9,550

Married Filing Separate - \$4,775

Additional Amount for Age or Blindness:

\$1,100 if married (whether filing jointly or separately) or a qualified surviving spouse. The additional amount is \$2,200 if one spouse is 65 or over and blind, \$2,200* if both spouses are 65 or over, \$4,400* if both spouses are 65 or over and blind, etc.

*If married filing separately, these amounts apply only if you can claim an exemption for your spouse.

\$1,400 if unmarried (single or head-of-household). The additional amount is \$2,800 if the individual is both 65 or over and blind.

Note: If taxpayer can be claimed as a dependent on another person's return, the standard deduction is the greater of \$950 or earned income plus \$300 (up to the standard deduction amount).

Maine Revenue Services Criminal Tax Cases

July – September 2009, Maine Criminal Tax Convictions:

On July 7, 2009 Edward Desmond of Topsham, Maine pled guilty in West Bath District Court to six (6) counts of Failure to File Maine Income Tax Returns for years 2002-2007. Mr. Desmond was sentenced to 90 days in jail, with all but ten (10) days suspended and one (1) year of probation. Mr. Desmond was ordered to pay restitution in the amount of \$27,609 by February 1, 2010.

On July 24, 2009 Gregory McClure of Kittery, Maine was sentenced in Alfred Superior Court to ninety (90) days in jail and two (2) years of probation for Class C, Failure to File Maine Income Tax Returns for the tax years 2002 through 2006. Mr. McClure pled guilty to these violations on 11/8/07 in Alfred Superior Court and was originally sentenced to serve an 18 month period of deferred disposition and pay restitution of \$21,145; had Mr. McClure adhered to the conditions of the plea, he would have received no further sanction and been permitted to withdraw his felony plea of guilty. However, since Mr. McClure failed to meet the conditions of his deferred disposition agreement, the guilty plea stands and he was sentenced accordingly. This is Mr. McClure's second conviction, as he was previously prosecuted for similar offenses in September, 2003 for the tax years 1997-2001.

On July 28, 2009 Dorie Austin of Vassalboro, Maine pled guilty in Waterville District Court to four (4) counts of Failure to File Maine Income Tax Returns for years 2002-2005. Ms. Austin was sentenced to serve a nine month period of deferred disposition. Since the majority of Ms. Austin's potential restitution was resolved prior to court, Ms. Austin was only ordered to pay restitution of \$2,332- and this was paid this at the time of sentencing, as well.

On August 26, 2009 Shawn Simpson of Portland, Maine pled guilty in Cumberland County Superior Court to three (3) counts of Class C, Failure to Pay Maine Income Tax and one (1) count of Class C, Failure to File Maine Income Tax Returns, all in respect to the years 2004-2007. Mr. Simpson had been previously convicted for similar offenses in September, 2003. Mr. Simpson was sentenced to serve two (2) years in jail, with all but thirteen (13) months suspended and two (2) years of probation. Mr. Simpson was ordered, as a special condition of probation, to pay restitution in the amount of \$11,474 at the rate of \$300 per month.

On August 27, 2009 Christopher Janes of Kittery, Maine pled guilty in York District Court to six (6) counts of Failure to File Maine Income Tax Returns for years 2002-2007. Mr. Janes was sentenced to serve 364 days in jail with all but sixty (60) days suspended and two (2) years of administrative release. Mr. Janes was also ordered to liquidate an \$18,000 annuity and pay the net amount, after penalties, to Maine Revenue Services. As a special condition of his administrative release, Mr. Janes is ordered to pay restitution in the amount of \$64,695.22.

On September 30, 2009 Nicholas Mesmer of Houlton, Maine entered a "No lo contendre" plea in Houlton Superior Court to four (4) Counts of Failure to File or Pay Maine Income Tax for the years 2004-2007. Mr. Mesmer was sentenced to \$375 in fines on each count, an amount equivalent to the civil tax penalties, all of which was paid on the day of the plea. No restitution was ordered, as Mr. Mesmer had already paid \$8,113.72 in tax and interest prior to sentencing.

<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) 287-3294	
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) 624-9740	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	efunds.transfer@maine.gov
Estate 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.

STATE OF MAINE

John Elias Baldacci, Governor

Ryan Low, Commissioner
Administrative and Financial Services

Jerome D. Gerard, Acting Executive
Director, Maine Revenue Services

Suggestions for the Tax Alert?

Please contact: Public Communications (207) 626-8478

Maine Revenue Services
24 State House Station
Augusta, Maine 04333-0024