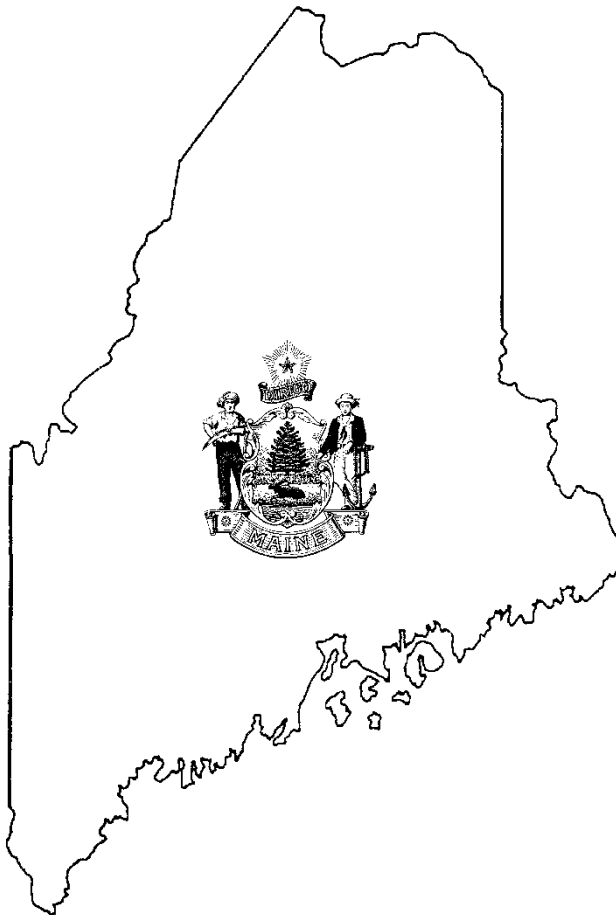


# **INDIVIDUAL INCOME TAX**

## **Schedule NRH Worksheet A Worksheet C**

for Part-year Residents/Nonresidents/Safe Harbor Residents



# **GUIDANCE DOCUMENT**

**Maine Revenue Services, Income/Estate Tax Division**

Last Revised: February 2019

## SCHEDULE NRH FOR MARRIED PERSON ELECTING TO FILE SINGLE

If your filing status on your federal income tax return is married filing jointly, you may elect to file as a single individual on the Maine return if either of the following apply to you:

- (1) The residency status for you and that of your spouse were different for Maine during the tax year; **OR**
- (2) Both you and your spouse were nonresidents or “safe harbor” residents of Maine for the entire tax year, but only one of you had Maine-source income during the tax year.

*For more information regarding residency status, please refer to the “**Guidance to Residency Status**” brochure and the “**Guidance to Residency Safe Harbors**” brochure which can be downloaded at [www.maine.gov/revenue/incomeestate/guidance](http://www.maine.gov/revenue/incomeestate/guidance).*

- ① If the filing status on your federal return was single, head-of-household, or married filing separately, you *cannot* file using Schedule NRH.
- ① Taxpayers using Schedule NRH must include a **complete copy** of their federal return (including all schedules and worksheets) with the Maine return when filing.

**Note:** Generally, part-year residents, nonresidents and “safe harbor” residents must file a Maine return using the same filing status as properly used on the federal return and must complete **Form 1040ME and Schedule NR** (for more information on filing Schedule NR, see the *Instructional Pamphlet for Schedule NR* at [www.maine.gov/revenue/incomeestate/guidance](http://www.maine.gov/revenue/incomeestate/guidance)). However, do not use Schedule NR if all your income is taxable to Maine. If one spouse is a full-year Maine resident and the other spouse is not, and a joint federal return was filed, you have two options:

- (1) You can choose to file a joint Maine return as if both were full-year Maine residents (*you may qualify for the Credit for Income Tax Paid to Other Jurisdictions*); **OR**
- (2) Each can file a Maine return as a single individual using **Form 1040ME with Schedule NRH**. Each return must show the proper residency status. *If the nonresident or “safe harbor” resident spouse has no Maine-source income, that spouse does not have to file a Maine return. You may choose this option only if you filed a joint federal return.*

*NOTE: If one spouse is a full-year Maine resident and the other spouse is a nonresident, the Maine resident spouse should file as a single individual using Schedule NRH unless filing a married joint return as full-year Maine residents results in a lower tax liability. See below for additional instructions.*

If both spouses are nonresidents or “safe harbor” residents, and a joint federal return was filed, 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** (for more information, see 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**.

**Maine taxable income is the federal adjusted gross income adjusted by Maine modifications, exemptions and deductions.** Your tax is first calculated as if you were a resident of Maine for the entire year. Part-year residents, nonresidents and “safe harbor” residents may then claim a credit (*calculated on Schedule NR or NRH using Worksheets A and B, and if necessary, Worksheet C*) based on the income that was earned outside Maine while a nonresident of Maine. **NOTE:** Nonresident or “safe harbor” resident service members, see below for special instructions.

- ① *Do not begin the Maine return with only the income earned in Maine. You must begin your Maine return with the total federal adjusted gross income.*
- ① *Unless specifically instructed, do not subtract the income earned outside Maine as a negative income modification on Form 1040ME, Schedule 1.*

Schedule NRH is designed to separate joint income between spouses and, if the filer is a **nonresident** or **part-year resident**, between Maine source income and non-Maine source income. **NOTE:** *A part-year resident is subject to Maine income tax on all income derived while a resident of Maine, even if the income is received from out-of-state sources, plus any income derived from Maine sources during the period of nonresidence.*

## Exceptions

- ① **Minimum taxability thresholds.** A nonresident individual working in Maine as an employee is not required to pay a Maine tax or file a Maine return on income from personal services unless that individual works in Maine for more than 12 days or, having worked in Maine for more than 12 days, earns or derives income from all Maine sources totaling more than \$3,000. Up to 24 days performing certain personal services, such as training and site inspections, are not counted against the 12-day threshold. Also, generally, a nonresident individual present in Maine for business for no more than 12 days and earning no more than \$3,000 from business activity in Maine is not required to pay a Maine tax or file a Maine return on that income.
- ① **Political subdivision employee.** Income earned by a nonresident employee of a political subdivision of an adjoining state performing services in Maine in accordance with an interlocal agreement under 30-A M.R.S., Chapter 115 is not considered Maine-source income, so long as the work performed does not displace a Maine resident employee.
- ① **Declared state disaster or emergency.** Compensation or income directly related to a declared state disaster or emergency is exempt from Maine tax if the taxpayer’s only presence in Maine during the tax year is for the sole purpose of providing disaster relief.

See 36 M.R.S. §§ 5142(8-B) and 5142(9) and Rule 806.

## Maine source income includes the following:

- 1) All income received while a resident of Maine;
- 2) Salaries and wages earned working in Maine, including any taxable benefits related to those earnings, such as annual and sick leave unless otherwise excepted. See Exceptions above. See 36 M.R.S. §§ 5142(8-B) and 5142(9) and Rule 806;
- 3) Income derived from or connected with the carrying on of a trade or business within Maine (including distributive share of income (loss) from partnerships and S corporations operating in Maine) unless otherwise excepted. See Exceptions above. See 36 M.R.S. §§ 5142(8-B) and 5142(9) and Rule 806;

- 4) Shares of trust and estate income derived from Maine sources;
- 5) Income (loss) attributed to the ownership or disposition of real or tangible personal property in Maine; and
- 6) Maine-source gain (or loss) from sale of a partnership interest. **NOTE:** To determine the gain or loss from the sale of a partnership interest attributable to Maine, divide the original cost of all tangible property of the partnership located in Maine by tangible property everywhere. Tangible property includes real estate, inventory and equipment. If you don't know these amounts, contact the partnership. If more than 50% of the partnership's assets consist of intangibles, the gain (or loss) is allocated to Maine based on the sales factor of the partnership. Divide the sales in Maine for the last full tax year of the partnership preceding the year of sale by the total sales for that same year. Multiply the result by the gain or loss on the sale of the partnership interest reported on your federal return. "Sales" for purposes of computing the sales factor are defined in Rule No. 801.06. *Include the gain (or loss) from the sales of a partnership interest on Schedule NRH, line 1d; and*
- 7) Maine State Lottery or Tri-State Lottery winnings from tickets purchased within Maine, including payments received from third parties for the transfer of rights to future proceeds related to Maine State Lottery or Tri-state Lotto tickets purchased in Maine, plus all other income from gambling activity conducted in Maine on or after June 29, 2005.

Except for Item #6 above, income from intangible sources, such as interest, dividends, annuities, most pensions and gains or losses attributable to intangible personal property, received by a nonresident of Maine is not Maine source income unless it is attributable to a business, trade, profession or occupation carried on in Maine.

### **Examples - When to File Schedule NRH**

**Example 1:** *Fred is a resident of Maine. His wife, Jane, is a resident of Massachusetts. Each maintains a separate permanent home in their respective state of residency. Jane earns no income in Maine. They file a married joint federal return.*

Fred and Jane have two options;

- (1) They could choose to file married joint with Maine as if both were full-year residents of Maine to determine whether they may claim a credit for tax paid to another jurisdiction), **OR**
- (2) Since Jane is not a resident of Maine, Fred could file his own return with Maine using the single filing status. To do so, he would complete Schedule NRH. Jane would not file a Maine return in this situation.

*Fred and Jane may choose either filing option in this example, depending on the option that results in the lower tax liability.*

**Example 2:** *Fred is a resident of Maine. In June, Fred marries Jane who had been a resident of Massachusetts. Once wed, Jane moves to Maine and establishes her Maine residency. Jane leaves her job in Massachusetts and gets another job in Maine. Fred and Jane file a married joint federal return.*

Fred and Jane have two options;

- (1) They could choose to file married joint with Maine as if both were full-year residents of Maine (see Form 1040ME, Worksheet for Credit for Tax Paid to Other Jurisdiction to determine whether they may claim a credit for tax paid to another jurisdiction), **OR**
- (2) Since Jane is a part-year resident and Fred is a full-year resident, each could file their own Maine return using the single filing status. Each would complete a Schedule NRH along with Form 1040ME.

*Fred and Jane may choose either filing option in this example, depending on the option that results in the lower tax liability.*

**Example 3:** *Fred and Jane are residents of Massachusetts. Jane commutes to Kittery, Maine to work. Fred works in Boston, Massachusetts. They file a married joint federal return.*

Fred and Jane have two options;

- (1) They could choose to file married joint with Maine as nonresidents and use Schedule NR to calculate a nonresident credit, **OR**
- (2) Since both Fred and Jane are nonresidents of Maine, but only Jane has Maine source income, Jane could file her own return with Maine using the single filing status. She would file as a nonresident of Maine using Schedule NRH. Fred would not file a Maine return in this situation.

*Fred and Jane may choose either filing option in this example, depending on the option that results in the lower tax liability.*

**Example 4:** *Fred and Jane are residents of Massachusetts. Fred and Jane both commute to Maine to work. They file a married joint federal return.*

Because both have Maine source income and both have the same residency status, Fred and Jane must file a married joint, nonresident Maine income tax return. They may not elect to file as single individuals using Schedule NRH. They must use Schedule NR in order to claim a nonresident credit on any non-Maine source income.

## INSTRUCTIONS FOR COMPLETING SCHEDULE NRH

(Nonresident / “Safe Harbor” Resident Service Members - See below for special instructions.)

**NOTE:** Schedule NRH is a complicated form. You should not try to complete the form without having read the specific line-by-line instructions. If you have difficulty completing any line on the form, refer to the instructions for further information or call Maine Revenue Services at (207) 626-8475 for assistance.

### **Form 1040ME:**

- 1) If you are electing to file a single return using Schedule NRH, enter your name, social security number and address on Form **1040ME**. Enter only **your** name and social security number on the Maine return. Do not include your spouse’s name and social security number on the lines labeled “Your name” and “Your social security number,” even if your spouse’s name was first on your federal income tax return.
- 2) Check the box for **Single** for your filing status. Do not check the married filing joint or married filing separate boxes.
- 3) Check the box for the residency status that applies to you. For more information regarding residency status, see the “*Guidance to Residency Status*” brochure and the “*Guidance to Residency Safe Harbors*” brochure which can be downloaded at [www.maine.gov/revenue/incomeestate/guidance](http://www.maine.gov/revenue/incomeestate/guidance). Also check the box to indicate you are filing Schedule NRH with your Form 1040ME.
- 4) Check the age and blindness boxes if they apply to you. Do not complete the boxes for your spouse.
- 5) For personal exemptions on Line 13, do not include your spouse. Enter “1”. Except, enter “0” if you may be claimed as a dependent on another person’s return.

### **① COMPLETE WORKSHEET A BEFORE COMPLETING SCHEDULE NRH.**

### **Schedule NRH:**

- 6) Complete Schedule NRH, column A (include all income from both spouses as reported on your joint federal return).

In Schedule NRH, column B, enter only your portion of the income you reported in Schedule NRH, column A. If you and your spouse do not use separate accounting for earnings and deductions, then income other than wages is divided equally between you and your spouse. Additions and deductions are also divided equally between you and your spouse.

Complete Schedule NRH, Column C only if you are a part-year resident, nonresident or “safe harbor” resident of Maine. In Schedule NRH, column C, enter the non-Maine source income that is included in Schedule NRH, column B. If you are a resident of Maine, leave Schedule NRH, column C blank even if you worked outside Maine. Also, do not enter your spouse’s income in Schedule NRH, column C. (**NOTE:** The sum of Schedule NRH, column B and column C will generally not equal Schedule NRH, column A.)

- 7) Complete Form 1040ME, Schedule A if you have any tax credits. Personal credits including the dependent exemption tax credit (Form 1040ME, Schedule A, line 8), child care credit (Form 1040ME, Schedule A, lines 1 and 9), the adult dependent care credit (Form 1040ME, Schedule A, lines 2 and 10), the earned income tax credit (Form 1040ME, Schedule A, lines 3 and 11), and the credit for educational opportunity (Form 1040ME, Schedule A, lines 4 and 14) are prorated on the related credit worksheet

available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms). Enter your share of each credit on Form 1040ME, Schedule A to enter the results on Form 1040ME. You may claim 100% of your ownership share of the business credits on Form 1040ME Schedule A, lines 5, 6, 13, and 15 through 20.

Schedule NRH also contains instructions as to the information to enter on page 1 of Form 1040ME. These instructions are located on lines 4, 5, 6, 8, 9 and 11 of Schedule NRH.

### **NONRESIDENT & “SAFE HARBOR” RESIDENT SERVICE MEMBERS:**

The Servicemembers Civil Relief Act “SCRA” (Public Law No. 108-189) provisions offset the computation of Maine individual income tax for certain nonresidents (including “Safe Harbor” residents) as follows:

- 1) Section 511(d) of the Act prevents states from including the military compensation of nonresident service members in the total income when computing the applicable rate of tax imposed on other income earned by the nonresident service member, or their spouse, that is subject to tax by the state. These changes affect Maine returns filed for tax years beginning on or after January 1, 2003 for some military taxpayers (Maine returns filed for tax years beginning on or after January 1, 2007 for “Safe Harbor” residents).
- 2) Amendments were made to the SCRA in 2009 for tax years beginning on or after January 1, 2009 to provide that a spouse of a service member may retain residency in their home state for tax purposes if the spouse is in Maine solely to be with the service member who is in the state due to military orders. The SCRA was further amended in 2018 for tax years beginning on or after January 1, 2018 to provide that a spouse of a service member may adopt the home of record of their military spouse for tax purposes. Income earned in Maine by a nonresident service member’s spouse who is domiciled in another state may not be considered Maine-source income.

Since the 2018 Maine income tax return includes income of the nonresident service member, a deduction must be made on the Maine return for a nonresident (or “Safe Harbor” resident) service member. To deduct the military income of a nonresident (or “Safe Harbor” resident) service member from the Maine taxable income in 2018, use the following instructions:

- 1) Enter the total federal adjusted gross income on Form 1040ME, line 14.
- 2) Complete Form 1040ME, Schedule 1 and the Worksheet for Form 1040ME, Schedule 1, Line 2k, line 3. Include the amount of military compensation of the nonresident service member on Form 1040ME, **Schedule 1, line 2k, ‘Other’**.
- 3) Complete Form 1040ME, lines 15 through 22.
- 4) Complete Form 1040ME, Worksheet A (if applicable).
- 5) Complete Form 1040ME, Schedule NRH.

**NOTE:** The military income of a nonresident service member filing **Schedule NRH** should be included on both *line 1* and *line 5b, columns A, B and C* of Schedule NRH. On line 5b, write “NR military compensation” in the space provided.

The Maine earned income of the nonresident service member’s spouse filing **Schedule NRH** should be included on *line 1, columns A, B and C* of Schedule NRH.

This procedure will ensure the proper ratio for the determination of the non-resident credit.  
*If you are completing Schedule NR, see the Guidance Document titled “Instructional Pamphlet for Individual Income Tax, Schedule NR” for more information.*

6) Complete Form 1040ME, lines 23 through 34.

A “service member” is defined as a member of the United States Army, Navy, Air Force, Marine Corps, Coast Guard, a commissioned officer of the Public Health Service or the National Oceanic and Atmospheric Administration. It also includes a member of the National Guard who is under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days for purposes of responding to a national emergency declared by the President and supported by Federal funds.

Any further questions about the computation of Maine individual income tax for certain nonresidents should be directed to the Income/Estate Tax Division of Maine Revenue Services at: [income.tax@maine.gov](mailto:income.tax@maine.gov) or call 207-626-8475.