



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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Public Communications Tel: (207) 626-8465

No More Paper

This is the last paper copy of the *Maine Tax Alert* you will receive via the United States Postal Service. In an effort to cut costs, we will no longer be printing this publication. The *Maine Tax Alert* will be delivered to you through e-mail, as it is the most effective, cost-efficient and timely system for delivering this news to you. If you have not done so already, please take a moment to sign up for automatic e-mail notification at our web site <http://www.state.me.us/revenue>, (click on **Forms/Publications**) to ensure timely delivery. Your e-mail address will not be shared with anyone outside of this agency.

Income Tax on Estates and Trusts

Estates and trusts must now use Form 2210ME, *Underpayment of Estimated Tax by Individuals*, to calculate the penalty for the underpayment of estimated tax. Previously, Form 2220ME was used for this purpose. Also the instructions for Form 2210ME have been updated to clarify the applicable quarterly tax periods when utilizing the annualized installment method to calculate the penalty for underpayment of estimated tax (36 M.R.S.A. §5228(5)(A)). For calendar-year filers the periods are 1/1/01-03/31/01, 1/1/01-5/31/01, 1/1/01-8/31/01 and 1/1/01-12/31/01.

PINs, Posters and 1040 Electronic Filing Update

Tax return filing volumes under the Maine E-File program increased 65% from tax year 1999 to tax year 2000. The upcoming 2001 tax-filing season will include full participation by Intuit and its related products (such as Turbo Tax).

Maine Revenue Service (MRS) is concerned about post office slow downs or shutdowns due to anthrax threats that might affect paper return filers. To offer the best return filing service to customers, if you are not already electronically filing your clients' tax returns, then please do so for this season. MRS urges all tax practitioners to provide electronic filing service to their customers for no added fee. Additional information on Maine's electronic filing options can be found by visiting www.state.me.us/revenue and clicking on "Electronic Filing" or by contacting Maine's E-File coordinator, Matthew Backus, at (207) 624-9730. A special "hidden" Web site for use by the tax industry is located at www.state.me.us/revenue/developers.

Currently, form 1040ME-EL (Electronic Filing Signature Document) must be sent to MRS along with any W-2/1099 attachments if the taxpayer does not provide a PIN to the tax practitioner. If a PIN is provided, the 1040ME-EL is not required to be sent. Effective January 1, 2002, MRS will be changing its policy for submission of form 1040ME-EL. As of January 1, 2002, tax professionals will not have to submit the 1040ME-EL and W-2s/1099s if they retain these documents for a period of not less than three (3) years with access being provided to MRS upon request. This policy applies regardless of whether or not the filer provided a PIN.

MRS is actively promoting Maine FastFile (Electronic filing, Internet filing, Telephone filing). MRS has dedicated the back outside cover of its 1040-short form and long form booklets to advertising Maine FastFile. In addition, MRS has developed one 8 ½ by 11-inch and one 8 ½ by 14-inch color-advertising poster. One poster will advertise FastFile. This poster will be sent to all libraries, post offices, etc. in Maine who receive tax booklets for pick-up by the general public. The second poster will be dedicated to E-File; it will not advertise Internet filing and telephone filing. We anticipate that tax practitioners may want to display the second poster in their office/window to advertise availability of Maine electronic filing services. The electronic filing poster can be requested at no charge by calling the forms order line at 207-624-7894. The posters will be available by January 1, 2002. MRS will also make the posters and an E-File logo available on its web site so that they can be downloaded and included in any advertising tax practitioners plan to do.

Changes to Withholding and U.I. Contributions Reporting Procedures and Returns

Maine Revenue Services and Maine Department of Labor plan to improve the collection of employee-level withholding tax and unemployment insurance contributions information beginning in 2002. Presently, unemployment insurance contribution information for individual employees is reported quarterly and withholding tax information for individual employees is collected annually.

Beginning in 2002, Maine Revenue Services and Maine Department of Labor will be transitioning to new reporting procedures. The new procedures for the collection of detailed employee specific withholding and unemployment insurance contributions information are as follows:

Combined Quarterly Return Filers - Two substantive changes are being made to Part Four of the 2002 Combined Quarterly Report (Unemployment Contribution Wage Listing) more commonly referred to as the "wage detail" page. Columns for Seasonal and Non-seasonal wages have been condensed into a single column with a check-off box for seasonal designation. An employee who has both seasonal and non-seasonal wages in a quarter would be listed twice. The second change is that the last Column will be used to indicate the amount of Maine income tax withheld for each employee for the quarter being filed. For employers who file using this form, reporting of annual employee-specific withholding information (W-2s) in February will be eliminated. Filing form W-3ME will still be required; however, the employee withholding detail will no longer be necessary.

Withholding Only Filers – The only change will be the addition of a wage detail page similar to the Combined Quarterly Return (CQR) form. This three-column document will detail the employees' name, social security number and Maine income tax withheld in the quarter. For employers who file using this form, reporting of annual employee-specific withholding information (W-2s) in February will be eliminated. Filing form W-3ME will still be required; however, the employee withholding detail will no longer be necessary.

Maine Revenue Services will be adopting the Simplified Tax and Wage Reporting System (STAWRS) electronic filing standards. STAWRS uses Extensible Markup Language (XML) to collect withholding tax and unemployment insurance contributions data. Maine Revenue Services is now drafting an XML manual and developing software to process these files. The STAWRS process will replace the existing ICESA magnetic media filing standards MRS now uses by April 1, 2003. The XML software should be available in July or August 2002 for testing and filing.

Effective February 2003, all companies who do not report withholding amounts to Maine Revenue Services using the CQR wage reporting form or XML as mentioned above must annually submit to MRS withholding tax amounts on magnetic media following the Magnetic Media Reporting and Electronic Filing –1 (MMREF-1) format or via paper reports with their W-3ME filing.

In the future, Maine Revenue Services intends to develop additional changes to the CQR that may relieve the need for filing Form W-3ME. We hope to achieve this by December 31, 2002.

MRS welcomes comments on the proposed changes to the CQR form and reporting procedures. Please send your comments to Mark E. Landry at State House Station # 24, Augusta, ME 04333 or by e-mail to him at mark.e.landry@state.me.us.

Suggestions for the Tax Alert?
Please contact: Public Communications

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

Angus S. King, Governor

**Janet E. Waldron, Commissioner
Administrative and Financial Services**

**Anthony J. Neves, Executive Director
Maine Revenue Services**

<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	
Central Registration	(207) 287-2338	(207) 287-3733	
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@state.me.us
Corporate Tax	(207) 624-9670	(207) 287-6627	corporate.tax@state.me.us
E-file Help Desk	(207) 624-9730	(207) 624-9740	efile.helpdesk@state.me.us
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	efunds.transfer@state.me.us
Estate Tax	(207) 626-8480	(207) 624-9694	income.tax@state.me.us
Fuel Tax	(207) 624-9745	(207) 287-6628	fuel.tax@state.me.us
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@state.me.us
Insurance Premium Tax	(207) 624-9582	(207) 624-9694	
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	
Payment Plan/Other	(207) 624-9595	(207) 287-6627	
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2011	(207) 287-6396	prop.tax@state.me.us
Public Communications	(207) 626-8465	(207) 287-3618	
Sales Tax	(207) 287-2336	(207) 287-6628	sales.tax@state.me.us
Taxpayer Advocate	(207) 624-9649	(207) 624-9694	
TTY Service	(207) 287-4477	-----	
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@state.me.us

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