



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 10, No. 4

November 2000

Public Communications Tel: (207) 287-6838

1040 Internet/Electronic Filing

Maine Revenue Services (MRS) has released a free Internet-based application for individual income tax return filing. I-filing for extension filers took place from August to October 15, 2000. This pilot project readied MRS for the 2000-filing season. The filers were presented with a series of questions used to calculate their 1999 tax year return. Certain restrictions from filing do apply. For more information visit the MRS Web site.

Beginning with tax year 2000, Maine Revenue Services will be offering paperless electronic filing of Maine individual income tax returns to certain taxpayers. Taxpayers who filed their 1999 1040ME electronically or who had their return prepared by a tax professional and indicated they did not want to receive a tax booklet will be mailed a postcard containing a six digit Electronic Customer Number (ECN), similar to those issued by the IRS. Taxpayers who Telefiled their 1999 Maine individual income tax return will receive the 1040S-ME short form booklet with Telefile worksheet, which will also contain the six digit ECN. Finally, taxpayers who filed 1999 Maine individual income tax returns with Maine Revenue Services will be issued ECNs in their pre-printed 2000 Individual Income Tax booklets.

Individuals who have received an ECN may file their 2000 Maine individual income tax return electronically over the Internet or by using tax preparation software designed for electronic filing. Tax returns may also be electronically filed through participating tax preparers.

The use of an ECN eliminates the need to provide the 1040E-EL signature document and paper W-2/1099 series forms to Maine Revenue Services following the transmission of the return.

ECNs are issued to each individual taxpayer. If married, both spouses will be issued an ECN, but both ECNs are not required to be entered together on returns. For example, individuals who previously filed separate returns can file a married joint return, or individuals who previously filed married joint can file separate returns.

A taxpayer who does not receive an ECN will still be able to file electronically or over the Internet but will be required to send the signature document and W2/1099 series forms.

MRS Proposes Changes to Rule 807

Rule 807 provides guidance to individual and corporate taxpayers in determining the amounts of any available net operating loss add-back modifications. Changes in federal law and the federal treatment of NOL deductions require changes in Maine Revenue Services policy concerning add-back modifications.

MRS has filed paperwork with the Maine Secretary of State proposing to repeal and replace the existing Rule 807. The examples in the Rule would be changed in order to:

- A. Update references to current tax years and reflect the federal change in the carry back period from the three previous taxable years to the two previous taxable years;
- B. Illustrate that the amended federal adjusted gross income amount in the case of an individual taxpayer and the amended federal taxable income amount in the case of a corporate taxpayer that results from a net operating loss deduction cannot be less than zero;
- C. Illustrate cases in which the net operating loss is carried back but only partially deducted in the carry back period (the taxpayer then deducts the balance of the loss in a future year);

MRS is also proposing a new application section stating that these amendments apply to returns, including amended returns, filed on or after January 1, 2001 for any tax year.

Various other minor editorial changes are being proposed. A complete copy of the proposed replacement rule is available on the MRS Web site or is available by mail. Comments, questions, and requests for copies of the replacement rule should be directed to David Bauer, General Counsel, 24 State House Station, Augusta, Maine (207) 624-9681. The official deadline for submission of written comments is December 15, 2000.

MRS Proposes Repeal and Replacement of Rule 801

Maine Revenue Services has initiated formal rulemaking intended to repeal and replace Rule 801 (“Apportionment of Income”). Significant revisions are necessary to the existing rule due in part to Maine’s repeal of the distinction between “business income” and “non-business income.”

The purpose of Rule 801 is to explain the apportionment of income of corporations as required by 36 M.R.S.A. §5102(8). The Rule also explains the calculation of an apportionment percentage by other taxpayers when such taxpayers are required to use the income apportionment method set out in 36 M.R.S.A. Chapter 821. For example, the Rule applies to “S” corporation shareholders, partners, estates and trusts, and to nonresident individuals who have income from business activity both within and without Maine. (See 36 M.R.S.A. §5142(6).)

A complete copy of the proposed replacement rule is available on the MRS Web site or is available by mail. Comments, questions, and requests for copies of the replacement rule should be directed to David Bauer, MRS General Counsel, 24 State House Station, Augusta, Maine (207) 624-9681. The comment deadline is December 15, 2000.

Rule 316 to be Repealed

Maine Revenue Services has proposed the repeal of Rule 316 (“Rental of Tangible Personal Property”). Portions of this Rule have become obsolete due to statutory changes enacted in recent years. MRS is issuing a new Instructional Bulletin No. 20 intended to comprehensively address lease and rental transactions in Maine. The comment deadline on the repeal of Rule 316 is December 15, 2000. The new Instructional Bulletin will be posted to the MRS website shortly. Paper copies may be obtained by calling the Sales/Excise Tax Division at (207) 287-2336.

State of Maine - Individual Income Tax - 2000 Rates

Note: The tax rates and the personal exemption amount was established through recent legislation and is not subject to the inflation adjustment for tax year 2000.

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 \$4,150	2.0% of the taxable income
\$ 4,150 but less than \$ 8,250	\$ 83 plus 4.5% of excess over \$ 4,150
\$ 8,250 but less than \$16,500	\$ 268 plus 7.0% of excess over \$ 8,250
\$ 16,500 or more	\$ 846 plus 8.5% of excess over \$16,500

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 \$6,200	2.0% of the taxable income
\$ 6,200 but less than \$12,400	\$ 124 plus 4.5% of excess over \$ 6,200
\$12,400 but less than \$24,750	\$ 403 plus 7.0% of excess over \$12,400
\$24,750 or more	\$ 1,268 plus 8.5% of excess over \$24,750

Tax Rate Schedule #3

For Married Individuals and Surviving Spouses Filing Joint Returns

If the taxable income is:	The tax is:
Less than \$8,250	2.0% of the taxable income
\$ 8,250 but less than \$16,500	\$ 165 plus 4.5% of excess over \$ 8,250
\$16,500 but less than \$33,000	\$ 536 plus 7.0% of excess over \$16,500
\$33,000 or more	\$ 1,691 plus 8.5% of excess over \$33,000

Personal Exemption: \$2,850

Standard Deduction: Single - \$4,400	Married Filing Jointly - \$7,350
Head-of-Household - \$6,450	Married Filing Separate - \$3,675

Additional Amount for Age or Blindness:

\$850 if married (whether filing jointly or separately) or a qualified surviving spouse. The additional amount is \$1,700 if one spouse is 65 or over and blind, \$1,700* if both spouses are 65 or over, \$3,400* 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.

\$1,100 if unmarried (single or head-of-household). The additional amount is \$2,200 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 \$700 or earned income plus \$250 (up to the standard deduction amount).

MAINE REVENUE SERVICES: <http://janus.state.me.us/revenue>
Order tax forms through the Web site.....

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	tax_compliance@state.me.us
Corporate Tax	(207) 624-9670	(207) 287-6627	corporate_tax@state.me.us
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	electronic_funds_transfer@state.me.us
Estate Tax	(207) 626-8480	(207) 624-9694	income_estate_tax@state.me.us
Excise Tax	(207) 287-3851	(207) 287-6628	sales_tax@state.me.us
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income_estate_tax@state.me.us
Paym't 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	property_tax@state.me.us
			abandoned_propertv@state.me.us
Public Communications	(207) 287-6838	(207) 287-3618	
Sales Tax	(207) 287-2336	(207) 287-6628	sales_tax@state.me.us
Taxpayer Advocate	(207) 287-4562	(207) 287-3294	
TTY Service	(207) 287-4477	-----	
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding_tax@state.me.us

MAINE TAX ALERT: November 2000
Vol. 10 No. 4

MAINE REVENUE SERVICES
24 State House Station
Augusta ME 04333-0024
Return Service Requested