

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME INSTRUCTIONS

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QUESTIONS?

C Corporation	207-624-9670	Email: corporate.tax@maine.gov
S Corporation, Partnership	207-624-9670	Email: partner-scorp.tax@maine.gov
Individual	207-626-8475	Email: income.tax@maine.gov
Withholding Tax	207-626-8475	Email: withholding.tax@maine.gov
Sales Tax	207-624-9693	Email: sales.tax@maine.gov
To order forms	207-624-7894	

For general information and downloadable forms, visit our web site www.maine.gov/revenue.

Tax Fraud Hotline: 207-624-9600 Call this number or send an email to compliance.tax@maine.gov to report possible tax violations, including failure to file tax returns, failure to report all income and failure to register for tax filing.

MAINE REVENUE SERVICES MISSION STATEMENT

The mission of Maine Revenue Services is to serve the citizens of Maine by administering the tax laws of the State effectively and professionally in order to provide the revenues necessary to support Maine government. To accomplish this mission, we will:

- Foster voluntary compliance with the tax laws by providing clear, complete, accurate, and timely guidance to taxpayers to help them understand and meet their responsibilities under the law.
- Maintain the highest standards of integrity, fairness, confidentiality and courtesy in everything we do.

MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services ("MRS") maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct

of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer except as allowed under 36 M.R.S. § 191. Communications that do not meet the definition of tax information are

subject to the general confidentiality and public inspection provisions of Maine's "Freedom of Access" laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.

MAINE CORPORATE INCOME TAX

2014 FORM 1120ME

CORPORATIONS REQUIRED TO FILE

CORPORATIONS SUBJECT TO INCOME TAX: Every entity subject to tax as a corporation (including exempt organizations and captive insurance companies) must file Form 1120ME and pay the applicable Maine corporate income tax if it meets the following criteria:

1. The entity is required to file a federal corporate or unrelated business income tax return; and
2. The entity realizes Maine net income.

Maine Net Income. Maine net income is the taxpayer's federal taxable income modified by Maine law and apportionable to Maine. A corporation is subject to tax if the business has nexus with Maine.

NEXUS: Nexus refers to a sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by owning or using property or by conducting business within the taxing jurisdiction. For additional information, see MRS Rule 808 at www.maine.gov/revenue/rules.

Conducting Business in Maine. Without limitation, a corporation conducts business in Maine if it engages in any of the following activities in this state:

1. Maintains an office or other place of business;
2. Executes a contract;
3. Exercises or enforces contract rights;
4. Buys, sells or procures services or property; or
5. Employs labor.

Owning or Using Property. Without limitation, a corporation owns or uses property in Maine if it:

1. Owns property that is held by another person in this state under a lease, consignment or other arrangement;
2. Uses in this state property that it holds under a lease, license or other arrangement; or
3. Maintains a stock of goods in this state.

Exception for Certain Activities under U.S. Public Law 86-272. A foreign corporation that does business in Maine or owns or uses property in Maine is not subject to Maine income tax if its only activities in Maine are those set forth as exempt in U.S. P.L. 86-272 (15 U.S.C. §§ 381-384).

a. Solicitation Activities. P.L. 86-272 precludes Maine from imposing a tax on the income of a foreign corporation if the sole activity of the corporation in this state is the solicitation by the corporation's representatives (in the name of the corporation or in the name of a prospective customer) of orders for the sale of tangible personal property, provided that the orders are sent outside of Maine for approval or rejection, and provided that the orders are filled by shipment or delivery outside of Maine.

Limitations. P.L. 86-272 restricts a state's tax jurisdiction with respect to sales solicitation activities only if the taxpayer's activity is limited to solicitation of orders for the sale of tangible personal property. P.L. 86-272 does not afford protection in any of the following circumstances:

1. A combination of solicitation activities and non-solicitation activities in Maine;

2. The solicitation of orders for the sale or provision of services, either alone or in combination with the solicitation of orders for tangible property. Some examples of the combined sale of services and tangible personal property are photographic development and the provision of architectural or engineering services; and
3. The solicitation of orders for the sale, lease, rental, license or other disposition of real property or intangibles.

b. De Minimis Activities. Non-solicitation business activities conducted by a corporation in Maine will not subject the corporation to taxation if the activities, taken together, are de minimis. For additional information, see MRS Rule 808 at: www.maine.gov/revenue/rules.

CORPORATIONS NOT SUBJECT TO MAINE CORPORATE INCOME TAX: The following corporations are not subject to Maine corporate income tax:

1. S corporations (except those with federal taxable income at the corporate level, see instructions below);
2. Insurance companies that are subject to, or would be subject to, tax under 36 M.R.S. §§ 2512 - 2528 (insurance premiums tax, and fire investigation and prevention tax), except insurance companies that operate HMOs and captive insurance companies (see 36 M.R.S. §§ 5102(6) and 5202-C);
3. Banking institutions subject to the Maine franchise tax (see b below); and
4. Corporate **small business investment companies**, licensed under the United States Small Business Investment Act of 1958 that are commercially domiciled in Maine and do business primarily in Maine.

a. Limited Liability Companies. Maine law allows for the formation of limited liability companies ("LLCs"). A domestic LLC or foreign LLC doing business in Maine is classified as a partnership for Maine income tax purposes, unless classified otherwise for federal income tax purposes, in which case the LLC is classified in the same manner for Maine income tax as for federal income tax purposes.

b. Banking Institutions Subject to the Maine Franchise Tax. Every corporation that is a financial institution (except a credit union), any service corporation or subsidiary as defined in 9-B M.R.S. § 131 and any financial institution holding company that is doing business in this state must file Form 1120B-ME and pay Maine franchise tax. This requirement also applies to any financial institution organized as an S corporation, partnership or entity disregarded as separate from its owner. **Do not use Form 1120ME.** Franchise tax Form 1120B-ME and instructions are available at: www.maine.gov/revenue/forms.

FILING REQUIREMENTS FOR S CORPORATIONS AND PARTNERSHIPS: S corporations that incur federal taxable income (such as certain capital gains and certain built-in gains) at the corporate level are required to file Form 1120ME and report only the income that is taxed at the corporate level for federal purposes.

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME GENERAL INSTRUCTIONS

1. DATE FOR FILING RETURN: Corporations reporting for calendar year 2014 are required to file, with payment, on or before March 16, 2015. Fiscal year taxpayers are required to file, with payment, on or before the 15th day of the third month following the close of the taxable year. **Note:** Tax exempt entities with unrelated business income filing federal Form 990-T are required to file and pay by the 15th day of the fifth month following the close of the taxable year.

2. EXTENSIONS FOR FILING: A Maine extension request form is not required. If a taxpayer is unable to file by the original due date of the return, Maine allows an automatic seven-month extension of time to file.

CAUTION: An extension to file a Maine return is not an extension to pay any tax due. The automatic extension is only effective if the return is filed within the seven-month extension period.

If tax is due, the taxpayer must pay at least 90% of that amount by the original due date for filing the return. The remaining amount due must be remitted with the return by the extended due date to avoid the failure-to-pay penalty. Interest will be charged on any tax paid after the original due date of the return.

Remit any estimated tax with the Maine Extension Tax Payment Voucher for Corporations (Form 1120EXT-ME), by the original due date for filing the Maine return to: Maine Revenue Services, P.O. Box 9101, Augusta, ME 04332-9101.

3. PAYMENT OF CORPORATE INCOME TAX: All corporations subject to income taxes must make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than \$1,000. A unitary business that will be filing a single return must make payments, including estimated payments under the corporate name and FEIN of the corporation that will be filing Form 1120ME for the year. Equal installments of estimated tax are due throughout the tax year. Payments can be made electronically or download Form 1120ES-ME at www.maine.gov/revenue/forms or call 207-624-7894.

4. ELECTRONIC PAYMENTS: Beginning January 1, 2015, any person with a combined tax liability to Maine of \$10,000 or more **for all tax types** during the most recent lookback period ending during the prior calendar year is required to remit all Maine tax payments electronically using Maine EZ Pay, ACH debit or ACH credit method. Maine EZ Pay is a web-based payment system available on the Maine Revenue Services website. EZ Pay also allows payments to be scheduled in advance to be automatically withdrawn on the date selected. ACH debit payments may be made by including the taxpayer's banking information with an electronically filed return. In addition, the teledebit system allows ACH debit payments to be made over the telephone regardless of how a return is filed. The ACH credit system allows taxpayers to contact their bank and initiate a payment to MRS. ACH teledebit and ACH credit payments require pre-registration with MRS.

To obtain an ACH teledebit or ACH credit application, a copy of Rule 102 - Electronic Funds Transfer, or for more information, go to www.maine.gov/revenue, call 207-624-5625 or write: EFT Unit, Maine Revenue Services, PO Box 1060, Augusta, ME 04332-1060.

Penalty for failure to pay by electronic funds transfer. Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

Penalty for insufficient funds. The penalty for insufficient funds also applies to electronic funds transfers. The penalty is \$20 or 1%

of the payment amount, whichever is greater.

5. INTEREST: For calendar year 2015, the interest rate is 7%, compounded monthly. The interest will be added to the balance of any tax due from the original due date to the date of payment and should be included with any payment.

6. PENALTIES:

a. Underpayment of estimated tax penalty. For calendar year 2014, the penalty is 7%, compounded monthly. The penalty rate for calendar year 2015 is 7%, compounded monthly. The penalty will be assessed if the required quarterly installment payments are not made. The sum of quarterly estimated tax payments must be at least equal to the lesser of the previous year's Maine income tax liability or 90% of the tax liability for the current year. Exception: certain large corporations cannot use the previous year's liability in determining the required amount of estimated tax payments. See instructions for Form 1120ES-ME.

b. Late filing and late payment penalties. If a past due return is filed before the receipt, or within 60 days of the receipt, of a demand notice, the penalty for failure to file is the greater of \$25 or 10% of the amount of tax due. If the return is filed more than 60 days after the receipt of a demand notice, the failure-to-file penalty increases to the greater of \$25 or 25% of the amount of tax due.

For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

c. Other penalties. The law also provides for penalties for substantial understatement of tax, negligence, fraud and for payment of tax by check that is returned for insufficient funds.

7. ACCOUNTING PERIOD COVERED BY RETURN: The taxpayer's Maine return covers the same accounting period as the federal corporate return. If the taxable years of the members of a unitary business group differ, see the instructions for Form CR titled "Differing Year-End Dates."

8. ACCOUNTING METHODS: A taxpayer's accounting method for Maine income tax purposes must be the same as that used for federal income tax purposes.

9. ADDITIONAL INFORMATION AND FORMS TO ACCOMPANY STATE RETURN:

NOTE: Due to scanner requirements, supporting documents must be submitted on paper -- disks will be destroyed.

a. The Maine corporate return must be accompanied by a legible copy of the corporation's federal return, Form 1120, pages 1 through 5, for the same taxable period. If the corporation is a member of a federal consolidation, the federal return, Consolidated Form 1120, pages 1 through 5, must be provided.

b. Corporations subject to Maine corporate income tax that are members of an affiliated group as defined under 36 M.R.S. § 5102(1-B), and operating in a unitary business, must complete and attach Form CR, along with an affiliation schedule. Exempt organizations filing the Maine corporate return, Form 1120ME, must attach a legible copy of the corporation's federal return, Form 990T.

c. Corporations that own interests in pass-through entities should check the appropriate box on page 1 of Form 1120ME and provide the EIN of the related pass-through entity. If more than one pass-through entity is owned by the corporation, attach an additional

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sheet listing each pass-through entity and EIN.

10. FEDERAL AUDIT CHANGES AND AMENDED RETURNS: A taxpayer must file a Maine amended return within 180 days after final determination of any change or correction by the Internal Revenue Service to federal taxable income. Attach a copy of the Internal Revenue Agent's report with all supporting schedules to the Maine amended return, Form 1120X-ME.

A taxpayer filing an amended federal income tax return must, within 180 days, file an amended Maine income tax return with a copy of federal Form 1120X. When filing a return that reflects a federal net operating loss, a copy of federal Form 1139 must be attached.

In addition, an amended Maine income tax return is required to correct errors on a previously filed return. The amended return must be filed within 180 days of the discovery of the error.

11. MAINE SALES AND USE TAX INFORMATION: Taxable items

bought from out-of-state sellers that do not collect Maine sales tax of at least 5.5% (for fiscal year filers, the rate returns to 5% on July 1, 2015) are subject to a use tax. The use tax equals 5.5% (for fiscal year filers, 5% beginning July 1, 2015) of the purchase price where no sales tax has been paid. If another state's sales or use tax has been paid on any purchase, that amount may be credited against the Maine use tax due on that purchase. There is no use tax liability if the purchase would have been exempt if purchased in Maine. If registered for sales/use tax purposes, report the purchases on the applicable "Other Taxable Purchases" line of that return. Call 207-624-9693 for more information about Maine Use Tax Law.

12. OVERPAYMENT OFFSETS: Maine Revenue Services will offset tax overpayments, including those designated to be carried forward, in order to satisfy an existing debt with MRS or any other state agency.

SPECIFIC INSTRUCTIONS

Line A. FEDERAL CONSOLIDATED INCOME: If the federal filing was part of a federal consolidated return, enter the amount from federal Form 1120, line 30 here.

Line 1. FEDERAL TAXABLE INCOME: Corporations: enter federal taxable income from line 30 of federal Form 1120. Real Estate Investment Trusts ("REITs"): enter the taxable income amount from federal Form 1120-REIT, line 22. Homeowners Associations: enter the taxable income from Form 1120-H, line 19. Tax Exempt Organizations: enter the unrelated business taxable income from Form 990-T, line 34, and check the box in the upper right corner of Form 1120ME.

NOTE: For S corporations, enter the corporate level federal taxable income. Corporations that are members of an affiliated unitary business group should refer to the combined reporting instructions. A corporation that has nexus with Maine and is an affiliate in a federal consolidated filing, but not a member of a unitary business group, must enter federal taxable income that is solely attributable to the corporation.

SUBTRACTIONS

Line 2a. NONTAXABLE INTEREST: Enter interest on U.S. bonds, U.S. Treasury notes or other obligations of the U.S. government which, by law, are exempt from state taxes, but taxable by the federal government. Include interest from bonds issued by the State of Maine or Maine municipalities and interest from bonds issued by an airport authority chartered in accordance with Maine Title 6, Chapter 10, if taxed on the federal return. Enter on this line interest income and capital gains from the sale of bonds issued by the Maine Waste Management Agency to the extent included in federal taxable income. The amount entered on this line must be reduced by the amount of expenses attributable to the nontaxable interest income and capital gains.

Line 2b. FOREIGN DIVIDEND GROSS-UP: Enter the amount from federal Form 1120, Schedule C, line 15.

Line 2c. WORK OPPORTUNITY CREDIT AND EMPOWERMENT ZONE CREDIT DEDUCTIONS: Enter on this line the amount of salaries and wages expense deduction directly related to claiming the Work Opportunity credit or Empowerment Zone credit. These amounts are reported on federal Form 5884, line 2 or Form 8844, line 2. The amount from Form 8844 will also include wages related to the Renewal Community credit.

Line 2d. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.: Enter income this state is prohibited

from taxing under the Constitution or laws of the United States or the Constitution of the State of Maine, to the extent included in federal taxable income. The amount must not have otherwise been removed from federal taxable income and must be decreased by expenses incurred in the production of that income to the extent that the expenses are deductible in determining federal taxable income. Attach a worksheet detailing the amount claimed on this line.

If these activities result in a net loss, that amount must be reported on this line. Put a minus sign (-) to the left of the amount to show a loss. Through this subtraction modification, any loss generated from activities Maine is prohibited from taxing will be added back to federal taxable income.

Line 2e. DIVIDENDS FROM CERTAIN AFFILIATED CORPORATIONS: Enter 50% of all apportionable dividends from affiliated corporations that are not included by the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1. In order to be affiliated, a corporation must be more than 50% owned. Although this may include domestic entities, most affiliated corporations not included in a combined report are foreign entities.

Line 2f. NET OPERATING LOSS RECAPTURE (attach Schedule NOL): If the entity has a net operating loss for a tax year ending in 2001 or later that was carried back for federal purposes, but added back to income under §§ 5200-A(1)(H) or 5200-A(1)(M), a deduction is allowed on this line equal to the amount of the income addition required for Maine income tax purposes. The deduction must be within the allowable NOL carryforward period plus the number of years the carryforward was denied under §§ 5200-A(2)(H)(5) or 5200-A(2)(L)(5). The deduction cannot reduce Maine taxable income to less than zero and must not have been previously used as a subtraction modification.

If the entity has a net operating loss carryforward that was limited under § 5200-A(1)(U) for the tax year beginning in 2008 or denied under § 5200-A(1)(V) for tax years beginning in 2009 through 2011, a deduction is allowed on this line equal to the amount of the income addition required for Maine income tax purposes. The deduction must be within the allowable NOL carryforward period plus the number of years the carryforward was limited or denied under §§ 5200-A(1)(U) or 5200-A(1)(V) and 5200-A(2)(T). The deduction cannot reduce Maine taxable income to less than zero and must not have been previously used as a subtraction modification.

For more information and examples, go to www.maine.gov/revenue/incomeestate and select Guidance Documents.

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Line 2g. INCOME FROM OWNERSHIP INTEREST IN PASS-THROUGH ENTITY FINANCIAL INSTITUTIONS: Financial institutions are subject to Maine's franchise tax, regardless of organizational structure. If federal taxable income includes income from ownership of a financial institution that is a pass-through entity (partnership, S corporation or an entity disregarded as separate from its owner), enter the income from that financial institution on this line. Attach federal Schedule K-1 reporting this amount.

Line 2h. STATE INCOME TAX REFUNDS: Enter the amount of state income tax refunds included in federal taxable income, provided the amount has already been taxed by Maine. This modification may not reduce federal taxable income to less than zero, and the amount refunded from this state or another state must not have been previously used as a modification. Any unused portion of the modification may be carried forward 20 years.

Line 2i. BONUS DEPRECIATION/SECTION 179 EXPENSE RECAPTURE: Addition modifications under 36 M.R.S. §§ 5200-A(1)(N), 5200-A(1)(T), 5200-A(1)(Y)(2) and 5200-A(1)(AA)(2) relating to federal bonus depreciation and section 179 expenses are allowed to be recaptured as follows:

a. 2011 – 2013 Property. Property placed in service in 2011 and later is not subject to a section 179 expense addition modification. Property placed in service in Maine in 2011, 2012 or 2013 for which the Maine capital investment credit was claimed is not eligible for a recapture of the addition modification under §§ 5200-A(1)(Y)(1) and 5200-A(1)(AA)(1). Addition modifications under §§ 5200-A(1)(Y)(2) and 5200-A(1)(AA)(2) for property placed in service in 2011, 2012 or 2013 are recaptured beginning in the year after the property is placed in service. The recapture amounts are equal to the difference between the depreciation that would have been claimed for that year if no first-year bonus depreciation had been claimed and the actual federal depreciation claimed for that property. A full recapture of any remaining bonus depreciation addition modification is allowed in the year of disposition of the asset.

b. 2008 – 2010 Property. Section 179 expense addition modifications under § 5200-A(1)(N) for property placed in service in 2008 through 2010 are recaptured over the asset life of the property. In the year after the property was placed in service, 5% of the related addition modification may be recaptured. The remaining 95% of the addition modification is recaptured in equal installments over the remaining asset life, beginning two years after the property was placed in service. Bonus depreciation addition modifications under § 5200-A(1)(T) for property placed in service in 2008 through 2010 are recaptured in the same manner as for property placed in service in 2011 and 2012.

c. 2007 Property. Section 179 expense addition modifications under § 5200-A(1)(N) for property placed in service in 2007 are recaptured over the asset life of the property. In the year after the property was placed in service, 5% of the related addition modification may be recaptured. The remaining 95% of the addition modification is recaptured in equal installments over the remaining asset life, beginning two years after the property was placed in service. Property placed in service in 2007 is not subject to a bonus depreciation addition modification and, therefore, there is no related recapture.

d. 2003 – 2006 Property. Section 179 expense and/or bonus depreciation addition modifications under § 5200-A(1)(N) for property placed in service in 2003 through 2006 are recaptured in the same manner as for property placed in service in 2008 through 2010.

e. 2002 Property. Bonus depreciation addition modifications under § 5200-A(1)(N) for property placed in service in 2002 are recaptured in equal installments over the asset life of the property, beginning two years after the property was placed in service.

For more information and examples, visit www.maine.gov/revenue/forms and select Income Tax Guidance Documents.

Line 2j. OTHER: Enter on this line the following subtraction modifications:

NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT: Bonds, notes, other evidences of indebtedness; interest and profits from bonds, notes, other evidences of indebtedness; and any other income or money of the Northern Maine Transmission Corporation are exempt from state income tax.

GAIN ON SALE OF MULTIFAMILY AFFORDABLE HOUSING: This modification equals the total of capital gains and ordinary income resulting from depreciation recapture pursuant to Code sections 1245 and 1250 realized on the sale of multifamily affordable housing property. Qualified property must be certified by the Maine State Housing Authority ("MSHA"). A copy of the MSHA certificate must be attached to the return.

DISCHARGE OF INDEBTEDNESS: Enter on this line income recognized at the federal level through the deferral of income from the discharge of indebtedness claimed as a Maine income modification in 2009 or 2010. Generally, the recognition of this income was deferred until 2014 for federal tax purposes. In no event may the aggregate amount claimed on this line exceed the total addition modifications claimed for 2009 and 2010 under 36 M.R.S. § 5200-A(1)(W) related to the deferral under the Code section 108(i).

SEED CAPITAL INVESTMENT TAX CREDIT: Enter on this line, to the extent included in federal taxable income, the refundable portion of the seed capital investment tax credit under § 5216-B received by, or from, a private venture capital fund.

ADDITIONS

Line 4a. INCOME TAXES IMPOSED BY MAINE OR ANY OTHER STATE: Maine does not permit a deduction for income taxes imposed by Maine or any other state. Enter income taxes taken as a deduction on federal Form 1120. However, to the extent claimed federally, Maine does not require the addition of the Ohio Commercial Activity Tax, the Texas Franchise Tax, and the portions of the Michigan Business Tax that are not based on income.

Line 4b. RESERVED

Line 4c. INTEREST FROM STATE AND MUNICIPAL BONDS OTHER THAN MAINE: Corporations must increase federal taxable income by interest or dividends on obligations or securities of any state other than Maine, or of a political subdivision or authority of any state other than Maine, to the extent that interest or those dividends are not included in the taxpayer's federal taxable income.

Line 4d. NET OPERATING LOSS ADJUSTMENT: Enter on this line an amount equal to any net operating loss ("NOL") carryforward deduction claimed in this taxable year which has previously been used to offset Maine modifications to federal taxable income in accordance with 36 M.R.S. § 5200-A(1). For additional information concerning the NOL adjustment, see www.maine.gov/revenue and select Income/Estate Tax. Also, see page 13 for information regarding federal NOL carrybacks and the related Maine amended return adjustments.

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BONUS DEPRECIATION ADD BACK: Lines 4e and 4f relate to Maine's decoupling from the federal special depreciation deduction through IRC § 168(k), commonly known as bonus depreciation. To calculate the amount to enter on these lines, complete a pro forma federal Form 4562 as if no bonus depreciation was claimed on the property placed in service in tax year 2014. The total addition modification is the difference between the federal depreciation claimed on Form 4562 and the depreciation calculated on the pro forma Form 4562. If any of the property placed in service in tax year 2014 is located in Maine and the Maine capital investment credit is claimed, the total addition modification must be divided between lines 4e and 4f. Otherwise, the entire addition must be entered on line 4f. Enclose copies of the original and pro forma federal Forms 4562, along with the add back calculation, with the return.

For more information, go to www.maine.gov/revenue and select Income Tax Guidance Documents. Also, refer to the instructions for line 2i above.

Line 4e. MAINE CAPITAL INVESTMENT CREDIT BONUS DEPRECIATION ADD-BACK: The Maine capital investment credit is available to businesses that place depreciable property in service in Maine during the taxable year beginning in 2014. Enter on this line the portion of the bonus depreciation add-back calculated above relating to property for which the Maine capital investment credit is claimed, based on original basis of property placed in service in tax year 2014. For example, if the entity purchased \$400,000 of eligible property and \$100,000 of that property is located in Maine and included in the credit base, the portion of the add back to include on this line is \$100,000/\$400,000 or 25% of the total bonus depreciation add-back calculated above.

Line 4f. BONUS DEPRECIATION ADD-BACK: Enter on this line the total bonus depreciation add-back calculated above less the amount of Maine capital investment credit add-back from line 4e. Amount entered on this line are eligible for the recapture subtraction modification on line 2i in future years.

Line 4g. OTHER: Include on this line the following items:
LOSSES, EXPENSES OR DEDUCTIONS FROM OWNERSHIP INTEREST IN FINANCIAL INSTITUTIONS: All financial institutions are subject to Maine's franchise tax, regardless of the entity's organizational structure. If federal taxable income includes a loss, expense or deduction from ownership of a financial institution that is a pass-through entity (partnership, LLC, S corporation or an entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

DOMESTIC PRODUCTION ACTIVITIES DEDUCTION ADD-BACK: Federal taxable income must be increased by the amount claimed as a domestic production activities deduction. Enter the amount from federal Form 1120, line 25.

HIGH-TECHNOLOGY CREDIT ADD-BACK: Federal taxable income must be increased by the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal income tax purposes.

WELLNESS PROGRAMS CREDIT ADD-BACK: Federal taxable income must be increased by the amount of qualified wellness program expenditures used as a basis for calculating the credit under 36 M.R.S. § 5219-FF that are also claimed as a business expense in calculating federal taxable income.

MAINE FISHERY INFRASTRUCTURE INVESTMENT TAX

CREDIT ADD-BACK: The amount claimed as a deduction in determining federal taxable income that is used to calculate the Maine Fishery Infrastructure Investment Tax Credit under 36 M.R.S. § 5216-D.

Line 6. GROSS TAX: For tax years beginning in 2014, the Maine corporate tax is computed as follows.

If adjusted federal taxable income is:		
Greater	But not	
<u>than</u>	<u>over</u>	The gross tax is:
\$ 0	\$ 25,000	3.5% of adjusted federal taxable income
25,000	75,000	\$875 plus 7.93% of the excess over \$ 25,000
75,000	250,000	\$4,840 plus 8.33% of the excess over \$ 75,000
250,000	or more	\$19,418 plus 8.93% of the excess over \$250,000

Line 7a. MAINE CORPORATE INCOME TAX: A corporation that is not part of an affiliated-unitary business group and has income solely from business activity within Maine must enter the amount from line 6 on line 7a. A corporation having income from within and outside the state must apportion tax on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations that are members of a unitary business group must also complete Form CR. See instructions for combined reporting.

Line 7b. ALTERNATIVE MINIMUM TAX: A minimum tax may be imposed, for each taxable year, upon a corporate taxpayer required to file a Maine corporate income tax return. Complete Schedule B to compute the amount to be entered on this line.

Lines 8a and 8b. ESTIMATED AND EXTENSION PAYMENTS: Enter estimated tax payments and extension payments made for the tax year. If claiming real estate withholding payments on line 8a, Form REW-1 must be attached. Include on line 8a any overpayment carried over from previous years and applied to this year.

Line 8c. NON-REFUNDABLE TAX CREDITS: Enter the amount from Schedule C, line 29o. The amount on this line cannot exceed the tax liability on line 7a.

Line 8d. INCOME TAX WITHHELD: Enter on line 8d the amount of withholding credited to the corporation through the Maine pass-through entity withholding requirement, and/or the amount withheld from certain gambling winnings. The amount claimed on this line must be substantiated by the attachment of a year-end Form 1099ME issued by the pass-through entity, and/or a copy of Form W-2G.

Line 8e. REFUNDABLE TAX CREDITS: Enter the amount from Schedule C, line 30c.

Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX: If the estimated tax was underpaid, complete and attach Form 2220ME to this return. A copy of Form 2220ME is available at: www.maine.gov/revenue/forms.

Line 11a. AMOUNT OF LINE 10 TO BE CREDITED: Use this line only if all or part of the overpayment on line 10 will be applied as a payment to the next year's estimated Maine corporate income tax. The payment will be applied to the next year as of the date a complete return listing the request was filed with Maine Revenue Services. This line may not be used when filing a return after the

statute of limitations date for credits and refunds.

Line 11b. AMOUNT OF LINE 10 TO BE REFUNDED: Enter here the difference between lines 10 and 11a. Refunds of \$1.00 or more will be mailed.

A refund may be directly deposited into a checking account (if it is \$10,000 or less). To comply with banking rules, the box to the left of line 11d must be checked if the refund is going to an account outside the United States. If the box is checked, we will mail a paper check to the address on file.

On **line 11c**, enter the 9-digit routing transit number (RTN). The RTN

must begin with 01 through 12 or 21 through 32. If it does not, the direct deposit will be rejected and a refund check will be sent instead. If unsure what the RTN is, contact the taxpayer's financial institution. On **line 11d**, enter the taxpayer's checking account number. The checking account number can be up to 17 digits long (both numbers and letters). Omit hyphens, spaces and special symbols.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. PAGES 1 - 5 OF THE FEDERAL RETURN MUST BE ATTACHED TO THE MAINE CORPORATE RETURN.

MAINE CORPORATE INCOME TAX - 2014 FORM 1120M SCHEDULE A - APPORTIONMENT OF TAX GENERAL INSTRUCTIONS

Schedule A is for corporations engaged in interstate business. Maine employs a sales-factor formula to determine the percentage of corporate income tax that is apportioned to Maine. Generally, this percentage is derived from a fraction, the numerator of which includes the sales in Maine, and the denominator of which includes sales everywhere in the U.S. (36 M.R.S. §§ 5210-5211 and MRS Rule 801). Both the numerator and the denominator must exclude certain sales of tangible personal property to a state where the taxpayer is not taxable. Sales are not excluded if any affiliate with which the taxpayer conducts a unitary business is taxable in that state. Sales to the federal government are assigned to Maine and are included in the denominator. If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the state tax assessor may require, another method for apportionment of the taxpayer's income tax.

"Tax period," referred to in the instructions for lines 12, 13 and 14, means the period represented by adjusted federal taxable income

on line 5.

"Sales" means all gross receipts including trade sales, dividends, interest, rents and royalties. See MRS Rule 801.06. Sale of a partnership interest by a corporation engaged in multistate business activity is attributed to Maine to the extent of the ratio of the partnership's tangible property located in Maine to tangible property located everywhere, determined based on original cost. Receipts from sales, other than sales of tangible personal property, are generally sourced to the state of destination. See details under specific instructions below.

Corporations that are members of a unitary business group, see instructions for combined reporting on page 10.

A corporation that has an ownership interest in a pass-through entity must include its share of income and apportionment factor from that entity in the apportionment formula.

SPECIFIC INSTRUCTIONS

MUTUAL FUND SERVICE PROVIDERS may elect to apportion income tax to Maine using a special sales-only formula. Check the box on Schedule A if the entity qualifies and is making this election. The choice is irrevocable for five years. Taxpayers electing this special apportionment are excluded from combined reporting. See 36 M.R.S. § 5212.

Line 12. TOTAL SALES: The apportionment factor is a fraction, the numerator of which includes the total sales of the taxpayer in Maine during the tax period, and the denominator of which includes the total sales of the taxpayer everywhere in the U.S. during the tax period. Both the numerator and the denominator must exclude certain sales of tangible personal property into a state where the taxpayer is not taxable, unless the sales are to the federal government. Sales into a state where the taxpayer is not taxable, however, are included if an affiliate with which the taxpayer conducts a unitary business is taxable within that state.

Sales, other than sales of tangible personal property. Receipts from sales, other than sales of tangible personal property, are generally attributed to the state where the services are received or where the property is located. Thus sales, other than sales of tangible personal property, are attributed as follows:

Services. Generally, receipts from the performance of services are attributed to the state where the services are received. If the state where the services are received cannot be readily determined, the services are deemed to be received at the home of the customer or, in the case of a business, the office of the customer from which the services are ordered. If the office from which the services are

ordered cannot be determined, the services are deemed to be received at the office to which the services are billed. Receipts from services rendered to the federal government are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 M.R.S. § 5211(16-A)(A).

Patents, copyrights, trademarks. Receipts from the license, sale or other disposition of patents, copyrights, trademarks and other similar property are attributed to the state in which the property is used. Receipts are attributed to Maine if the taxpayer's commercial domicile is in Maine and is not taxable in the state in which the property is used. If the property is used in more than one state, the receipts associated with the property must be allocated to Maine based on the ratio the property was used in Maine. Receipts from the federal government and receipts attributable to a state in which the taxpayer is not taxable are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 M.R.S. § 5211(16-A)(B).

Real property. Receipts from the sale, lease, rental or other use of real property are attributed to the state in which the property is located. See 36 M.R.S. § 5211(16-A)(C).

Tangible personal property. Receipts from the sale of tangible personal property are attributed to Maine if the property is delivered or shipped to a purchaser, other than the U.S. government, in Maine regardless of F.O.B. point or other conditions of the sale. If the purchaser is the U.S. government, receipts from the sale of

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME SCHEDULE A - APPORTIONMENT OF TAX SPECIFIC INSTRUCTIONS - cont.

tangible personal property are attributed to Maine if the property is shipped from a location in Maine. See 36 M.R.S. § 5211(16-A)(D). Both the numerator and the denominator must exclude certain sales of tangible personal property to a state where the taxpayer is not taxable. However, sales are not excluded if any affiliate with which the taxpayer conducts a unitary business is taxable in that state.

Financial services. Receipts from financial services are attributed to Maine as follows. See 36 M.R.S. §§ 5211(16-A)(E) & 5206-E(2)(C-I).

Interest (including fees and penalties in the nature of interest) from loans located in Maine, determined at the time of original agreement.

Net gains from the sale of loans attributed to Maine. The net gain attributed to Maine is determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

Interest (including fees and penalties in the nature of interest) from credit card receivables and receipts from fees (such as annual fees) charged to credit card holders with billing addresses in Maine.

Net gains from the sale of credit card receivables attributed to Maine. The net gain attributed to Maine is determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

Credit card reimbursement fees attributed to Maine. Credit card reimbursement fees, including related payment processing fees, attributed to Maine are determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

Receipts from merchant discount, including related payment processing fees, are attributed to Maine if the commercial domicile of the merchant is in Maine.

Loan servicing fees attributed to Maine. Loan servicing fees attributed to Maine are determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

Sale of partnership interest. The gain or loss from the sale of a partnership interest is sourced to Maine by multiplying the gain or loss by the ratio of the original cost of the partnership's tangible property located in Maine to the original cost of the partnership's tangible property everywhere, determined at the time of the sale. A different ratio must be calculated if more than 50% of the value of the partnership's assets consists of intangible property. The foregoing allocation calculations do not apply to certain sales of interests in investment partnerships. See 36 M.R.S. §§ 5211(16-A)(F) & 5142(3-A).

Disaster assistance. The numerator of the sales factor excludes the receipts of an entity if that entity's business activity in Maine is limited to services provided during a declared disaster at the request of state or local officials. See 36 M.R.S. § 5211(16-B) for more information.

NOTE: Although payroll and property are no longer included in the Maine apportionment factor, this information is still being collected for a variety of purposes, including for statistical, audit and tax credit purposes.

Line 13. TOTAL PAYROLL: Enter in column A total compensation paid in Maine during the tax period by the taxpayer, and enter in column B total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for personal services, including deferred compensation. Compensation is paid in Maine if :

(1) The individual's service is performed entirely within this state;

(2) The individual's service is performed both within and outside Maine, but the service performed outside the state is incidental to the individual's service within Maine; or

(3) Some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed and the individual's residence is in Maine.

Payroll for leased and temporary employees. The payroll totals must include 85% of amounts paid to an employee-leasing company for leased employees and 100% of amounts paid for temporary employees. Employee-leasing companies and temporary services companies will exclude from payroll compensation paid to leased or temporary employees who are providing personal services to client companies. However, amounts received from clients for leased or temporary employees must still be included in the line 12 apportionment factor calculation of the leasing or temporary services company.

"Leased employee" means an individual who performs services for a client company pursuant to a contract between the client company and an employee-leasing company.

"Temporary services" means employee services provided to client companies for a contractual period of less than 12 months.

See 36 M.R.S. § 5211(12).

Line 14. TOTAL PROPERTY: Enter in column A the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period. Enter in column B the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period.

Property owned by the taxpayer is valued at original cost. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the state tax assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property. Property rented by the taxpayer is valued at eight times the net annual rental rate. See 36 M.R.S. § 5211(9).

SCHEDULE B- ALTERNATIVE MINIMUM TAX INSTRUCTIONS

Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return.

If the corporation is not required to file federal Form 4626 due to the small corporation exemption, the corporation will not be subject to Maine minimum tax.

Line 20. MODIFICATIONS: Enter on this line the total of the applicable Maine addition modifications under § 5200-A(1) and the total of the applicable subtraction modifications under § 5200-A(2). For more information on how to calculate the modifications to federal alternative minimum taxable income, go to our web site at www.maine.gov/revenue/forms, select **Corporate Income Tax (1120ME)** and look for the worksheet for Maine Form 1120ME, Schedule B, line 20.

Line 22. EXEMPTION: The exemption amount on federal Form 4626 must be recalculated to find the total to use for purposes of the Maine alternative minimum tax. To do this, enter the amount from Schedule B, line 21 on a blank Form 4626, line 7. Then, follow the federal instructions for calculating the exemption amount on line 8c. Enter the amount from the recalculated Form 4626, line 8c on this line.

Line 24. APPORTIONMENT FACTOR: Enter the apportionment factor from Schedule A, line 15. Enter the value as a decimal amount. If 100% of the entity's business activity is apportioned to Maine, enter the amount as "1.000000".

Line 28b. PINE TREE DEVELOPMENT ZONE ALTERNATIVE MINIMUM TAX CREDIT: The credit application worksheet is available at www.maine.gov/revenue/forms, then select Worksheets for Tax Credits. Attach a copy of the worksheet to the return.

MAINE CORPORATE INCOME TAX - 2014 FORM 1120ME SCHEDULE C - TAX CREDITS INSTRUCTIONS

Tax Credit Worksheets. Except for the minimum tax credit, which is calculated on Schedule D, a completed tax credit worksheet must be attached for each credit claimed. Tax credit worksheets may be downloaded from the MRS web site. Go to www.maine.gov/revenue/forms and select Worksheets for Tax Credits. Worksheets may also be ordered by calling (207) 624-7894.

Amount Used. For each credit, enter in the appropriate space the amount of credit that is used to reduce tax liability this year. **The total amount of non-refundable credits on line 29o that may be used this year cannot exceed the tax liability on line 7a plus the amount of any credit recapture included in line 7b of Form 1120ME. Any amount of refundable credits on line 30c that exceeds the tax liability on line 7a of Form 1120ME, less other applicable credits, will be refunded to the taxpayer.**

Non-refundable Credits

Line 29a. Seed Capital Investment Tax Credit: If the taxpayer invested in a business that it does not own, a credit may be available through the Finance Authority of Maine. See 36 M.R.S. § 5216-B.

Line 29b. Jobs and Investment Tax Credit: To qualify for this credit, a taxpayer must make a qualified investment of at least \$5 million in property located in Maine, and must add at least 100 new jobs within two years of the qualified investment. See 36 M.R.S. § 5215.

Line 29c. Employer-Assisted Day Care Credit: An employer is allowed a credit for providing day care for, or paying day care expenses of, employees. The day care facility must be registered with DHHS. See 36 M.R.S. § 5217.

Quality Child Care Investment Credit: A corporate taxpayer making DHHS-certified investment in a quality child care facility is eligible for this credit. See 36 M.R.S. § 5219-Q.

Line 29d. Employer-Provided Long-Term Care Benefits Credit: A corporation is eligible for the employer-provided long-term care benefits credit if the policy on which premiums are paid is certified by the Maine Bureau of Insurance or the policy meets the federal definition of a qualified long-term care insurance contract under the

Internal Revenue Code. See 36 M.R.S. § 5217-C.

Line 29e. Pine Tree Development Zone Regular Tax Credit: If the business expanded or started in Maine during the tax year, the entity may qualify for this credit, certified through the Department of Economic and Community Development. See 36 M.R.S. § 5219-W.

Line 29f. Maine Capital Investment Credit: If the taxpayer invested in property in Maine that was eligible for the federal bonus depreciation, the entity may be eligible for this credit. See 36 M.R.S. §§ 5219-GG, 5219-II and 5219-MM.

Line 29g. Research Expense Tax Credit. If the business invested in research, it may qualify for this credit. See 36 M.R.S. § 5219-K.

Line 29h. Super Credit for Substantially Increased Research and Development. For tax years beginning on or after January 1, 2014, this credit is available only for unused credit amounts carried forward from prior years. Use the credit worksheet to calculate the amount for this line. See 36 M.R.S. § 5219-L.

Line 29i. High-Technology Investment Tax Credit: If the business invested in high-tech assets, it may qualify for this credit. See 36 M.R.S. § 5219-M.

Line 29j. Minimum Tax Credit: If the entity paid Maine alternative minimum tax in previous years, a minimum tax credit may be available. See Schedule D and 36 M.R.S. § 5203-C(4).

Line 29k. Credit for Dependent Health Benefits Paid: An employer that offers a qualified health benefit plan and that employs fewer than five employees may qualify for this credit. See 36 M.R.S. § 5219-O.

Line 29l. Credit for Educational Opportunity: An employer that pays student loans for a qualifying employee who received an associate or bachelor's degree may be eligible for this credit. See 36 M.R.S. § 5217-D.

Line 29m. Wellness Program Credit. An employer with 20 or fewer employees that incurred expenses for developing, instituting

and maintaining a wellness program may qualify for this credit. See 36 M.R.S. § 5219-FF.

Line 29n. Other Credits. Enter the following amounts on this line:

Contributions to Family Development Account Reserve Funds: A contributor to a family development matching fund account is eligible for a credit. The Finance Authority of Maine is required to certify the allowable credit for each contributor. See 36 M.R.S. § 5216-C.

Certified Visual Media Production Credit: If the business produced a movie or other type of media production in Maine, it may qualify for the credit, certified through the Department of Economic and Community Development. See 36 M.R.S. § 5219-Y.

Biofuel Production Tax Credit: A taxpayer engaged in the production of biofuels in Maine may be allowed a credit of \$0.05 per gallon of biofuel. When claiming this credit, attach a copy of the certificate issued by the Maine DEP. See 36 M.R.S. § 5219-X.

Maine Fishery Infrastructure Credit: If the entity invested in, or contributed to, a public fishery infrastructure project, it may be eligible for this credit. Eligibility is determined by the Department of Inland Fisheries and Wildlife. See 36 M.R.S. § 5216-D.

Refundable Credits

Line 30a. Historic Rehabilitation Credit. If qualified expenditures related to the rehabilitation of historic property in Maine were incurred, the taxpayer may qualify for this credit. See 36 M.R.S. § 5219-BB.

Line 30b. New Markets Capital Investment Credit. The holder of a qualified equity investment certificate issued by the Finance Authority of Maine may be eligible for this credit. See 36 M.R.S. § 5219-HH.

For each credit claimed, a complete tax credit worksheet must be attached showing all calculations. Tax credit worksheets and instructions are available at www.maine.gov/revenue/forms; select Worksheets for Tax Credits.

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME UNITARY BUSINESS COMBINED REPORTING FORM CR

WHO MUST FILE A COMBINED REPORT (FORM CR)? Taxable corporations that are members of an affiliated group engaged in a multi-corporate unitary business must file a combined report based on the federal taxable income of the unitary business. See MRS Rule 810. Captive insurance companies are subject to corporate income tax and, therefore, must be included in the combined report. Corporations that are part of a unitary business, but are not required to file a federal income tax return, are excluded from the combined report.

The combined report must show which corporate members have nexus with Maine and it must include, both in the aggregate and by corporation, the federal taxable income, allowable adjustments, state modifications provided by 36 M.R.S. § 5200-A and sales, payroll and property values in Maine and everywhere.

Maine defines **affiliated group** to mean a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations.

Maine corporate income tax of a unitary business is determined by apportioning to Maine the gross tax of the unitary business. Maine utilizes a single sales factor apportionment formula.

A UNITARY BUSINESS is one that is characterized by unity of ownership, functional integration, centralization of management and economies of scale. The cumulative effect of these characteristics is analyzed to determine if affiliated businesses are unitary.

UNITY OF OWNERSHIP is generally demonstrated when 50% or more of the voting stock is owned directly or indirectly by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

CENTRALIZED MANAGEMENT is achieved when directors, officers and/or other management personnel jointly participate in management decisions that affect the respective companies.

Centralized management still exists when day-to-day management responsibilities are decentralized, as long as the overall strategy of the whole group is affected centrally. Other indicators of centralized management include managing to ensure that the business segments are operated for the benefit of the entire group and not just for their own individual interest, transferring knowledge and expertise among the segments, adhering to common standards of professionalism, profitability and/or ethical practices and transferring or rotating officers or other management employees among the business segments.

FUNCTIONAL INTEGRATION refers to transfers between, or pooling among, business segments that significantly affect the business operations of the segments. There is no specific type of functional integration that must be present. Facts suggesting the presence of functional integration should be analyzed for their cumulative effect and not in isolation. Functional integration can be illustrated by: common marketing; intercompany sales; exchanges or transfers of products, services or intangibles; common distribution systems; and common purchasing.

ECONOMIES OF SCALE exist when companies interact to achieve, or have the potential to achieve, a decrease in the cost of production or in the cost of administrative functions due to the increase in size of the interaction. Economies of scale may exist from the inherent cost savings that arise from the presence of functional integration or centralization of management.

A unitary determination is made by reviewing all the business activities of an affiliated group. A **flow of value** arising from these activities is indicative of multi-corporate unity. To help determine whether a business operates in a unitary manner, a unitary business questionnaire is available at www.maine.gov/revenue/forms. Select Corporate Income Tax under the Income/Estate Tax category.

RETURNS AND PAYMENTS: Corporate members of unitary businesses may file a single combined return or separate corporate returns. A single combined return, if elected, must be filed in the name of the parent corporation if the parent is a member of the unitary business and has nexus with Maine. If there is no parent company

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME UNITARY BUSINESS COMBINED REPORTING - cont.

or the parent company is not a member of the unitary business or does not have nexus with Maine, the unitary business must choose a Maine taxpayer member to file the return. Once selected, the filing member must remain the same in subsequent years unless changes in that member's ownership or nexus occur. A unitary business that will be filing a single return must make payments, including estimated payments, under the corporate name and FEIN of the corporation that will be filing Form 1120ME for the year. Unitary members who have nexus with Maine may file separate returns based on the combined report of the unitary business. A copy of the combined report (Form CR) must be attached to each of the separate returns. The apportionment factor of the unitary business is then used to compute the Maine income tax of the individual member filing a separate return. A unitary member that will be filing a separate return must make payments, including estimated payments, using its corporate name and FEIN.

Whether filing separately or as a group, the Maine tax liability must be calculated for all unitary members together. If filing separately, each member's tax liability is determined based on that member's share of the total liability.

The lower, preferential tax rates may be applied to a separate filer if agreed to by the entire unitary group. The remaining tax liability is then applied to the rest of the unitary group. A schedule showing the income tax assigned to each filer must be submitted with each return. Any tax credits generated by a taxable corporation engaged in the unitary business must be applied against the Maine income tax liability of that corporation only, unless otherwise permitted by law.

DIFFERING YEAR-END DATES: Members of a unitary business with differing year-end dates must file using the filing member's taxable year to determine the adjusted federal taxable income of the unitary business. If the precise amount of a unitary member's income can be readily determined from the books for the months involved in the filing member's taxable year, those actual amounts are to be used. In the absence of a precise determination, the income of a unitary member must be converted to conform to the taxable year of the filing member on the basis of the number of months falling within the applicable tax year. For example, if the filing member operates on a calendar year and a unitary member includable in the combined report operates on a fiscal year ending on February 28th, it is necessary to assign 10/12 of that member's income from the current taxable year and 2/12 of the income from the preceding taxable year in order to arrive at a full twelve months' income to be included in the combined report (this method may be used only if the return can be timely filed after the member's taxable year ends). Alternatively, all of the income from the unitary member's taxable year ending during the taxable year of the filing member may be used. Whichever method for calculating adjusted federal taxable income is used, that method must be used for all years that the unitary member must file. Once the combined taxable income of the unitary business is determined on the basis of the filing member's tax year, the apportionment factor must be computed on the basis of the same tax year.

For more information on unitary business and combined reporting, see MRS Rule 810. Go to www.maine.gov/revenue/rules.

MAINE CORPORATE INCOME TAX 2014 FORM 1120ME COMBINED REPORT FOR UNITARY MEMBERS (FORM CR) INSTRUCTIONS

The combined report, when applicable, must be filed with Form 1120ME or Form 1120X-ME. This report must be accompanied by an affiliation schedule (federal Form 851 for consolidated filers is acceptable) listing name, federal ID number and corporate activity of all members of the affiliated group, both unitary and non-unitary.

A. PURPOSE OF FORM:

NOTE: Only unitary business group members are to be included on this form. Do not include affiliated non-unitary members on Form CR.

Form CR is used to calculate the "taxable income under the laws of the United States" (36 M.R.S. § 5102(8)) of a unitary business. Taxable income under the laws of the United States of a unitary business is:

- (a) Separate federal taxable income as defined under federal consolidated regulations for each member of a unitary business that is a member of a single federal consolidated filing; plus
- (b) Separate federal taxable income as defined under federal consolidated regulations for members of a unitary business that are members of other federal consolidated filings; plus
- (c) Federal taxable income from the federal returns of the unitary members that are not members of a federal consolidated group; plus
- (d) Adjustments for certain intercompany transactions between members of the unitary business.

B. COMBINED REPORTING:

Corporations with taxable income under the laws of the United States that are members of an affiliated group engaged in a unitary business must file a combined report. Corporations that are members of a unitary business but are not required to file a federal return must be excluded from the combined report. This includes those corporations not required, but electing, to file a federal tax return.

"Affiliated group" means a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. 36 M.R.S. § 5102(1-B). A "unitary business" is a business engaged in activity that is characterized by unity of ownership, functional integration, centralization of management and economies of scale. 36 M.R.S. § 5102(10-A).

All corporations required to file federal returns that are part of a unitary business are required to be included in the combined report

of any taxable corporation with Maine nexus, even if the affiliated corporation has no nexus with Maine.

C. COLUMN INSTRUCTIONS:

Column 1. Check this box if the corporation listed in column 3 has nexus with Maine.

Column 2. Check this box if the corporation in column 3 files sales tax returns with Maine.

Column 3. Enter the name and federal identification number of each member of the unitary business.

Column 4. Enter the separate federal taxable income under U. S. Treasury Regulation § 1.1502 of each member listed in column 3 that was part of a federal consolidated return (member's share of Form 1120, line 28). This information can be obtained from the supporting statement filed with federal Form 1120 for consolidated returns. **Attach a copy of the supporting statement from the consolidated return.**

Column 5. Enter in column 5 each corporation's share of everywhere & Maine sales of the unitary business. Exclude sales of tangible personal property into a state where the taxpayer is not taxable. Do not, however, exclude sales if any affiliate with which the taxpayer conducts a unitary business, is taxable in that state. Enter the line 13 totals (after applying adjustments and eliminations on line 12)

on Schedule A, line 12.

D. LINE INSTRUCTIONS:

Line 7. Enter the total for column 4.

Line 8. Enter any adjustments or eliminations, deferrals and other modifications allowed under federal law and regulations. Include any intercompany transactions between corporations listed on this report if those transactions resulted in gains or losses. For transactions between unitary business members not part of the same consolidated filing, enter adjustments allowed under MRS Rule 810.03(D). **Attach a worksheet that details adjustments claimed on line 8.**

Line 9. Enter allowable special deductions for the unitary business (from federal Form 1120, line 29b). These deductions must be aggregated and adjusted, if necessary, in a manner consistent with federal consolidated filing requirements.

Line 10. Enter the allowable NOL deductions for the unitary business. See MRS Rule 810.09 (allocation and uses of net operating losses).

Line 11. Enter the total from column 4 minus the deductions on lines 8 through 10. If filing a single return, enter on this line and on Form 1120ME, page 1, line 1. This is the taxable income under the laws of the United States of the unitary business.

See MRS Rule 810 for more information.

MAINE CORPORATE INCOME TAX 2014 MAINE AMENDED RETURN, 1120X-ME INSTRUCTIONS

This form may only be used to amend a 2014 Maine tax return

Purpose of form: A Maine amended return must be filed when there are changes or corrections that affect the taxpayer's liability.

Form to use: Use 2014 Form 1120X-ME to amend Form 1120ME returns for tax year 2014 only. To correct Form 1120ME or Form 1120A-ME returns for years 1991 through 2013, use a Form 1120X-ME applicable to the appropriate year. For years prior to 1991, use Form 1120ME for the year(s) prior to 1991 that are being amended and print or type "amended" in the upper left corner of the form. To obtain a form for the year being amended, go to www.maine.gov/revenue/forms or call 207-624-7894.

Attachments: Attach copies of federal Form 1120X or the Internal Revenue Agent report to support changes shown on Maine Form 1120X-ME. In the event of a net operating loss, attach a copy of federal Form 1139 for each year being amended. For all amended returns, Schedules A through D must be completed, even if the amounts have not changed from the original return.

Reporting Net Operating Loss: Federal net operating losses, including carrybacks and carryforwards, are reflected in the federal taxable income reported on the Maine corporate income tax return, line 1. If the Maine amended return being filed is due to federal NOL carrybacks or carryforwards, a copy of federal Form 1139 or Form 1120X and a schedule that reflects, from year to year, the use of the federal NOL carryback or carryforward and related income modifications described below must be attached to the return. A corporation included in a federal consolidated return filing a separate Maine return that carries back a loss for Maine purposes that differs from the federal NOL carryback must complete and attach to the Maine Form 1120X-ME a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the amount of NOL deduction being claimed for Maine purposes. Clearly mark the form "Maine pro forma."

For more information on Maine's treatment of NOLs, see www.maine.gov/revenue/forms (select Income Tax Guidance Documents).

Alternative Minimum Tax: The above modifications may impact the Maine alternative minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications.

Unitary groups: For a unitary group filing a combined Maine return, the federal taxable income to be reported on the Maine corporate return, line 1 is the federal taxable income under the laws of the United States for the unitary group (see MRS Rule 810). This is the amount shown on Form CR, line 20 as amended. All unitary business groups must complete Form CR.

Do not alter form: Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME. These forms cannot be altered in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned. All dollar amounts other than zero must be written in the appropriate column even if the amount has not changed from a previous return or filing period. Any box in column C that is left blank will be read as a zero. Do not use the null sign (Ø).

When to file: Amended Maine income tax returns must be filed within 180 days of the final determination of the change or correction of the filing of the federal amended return or Internal Revenue Agent report. File Form 1120X-ME only after having filed an original return.

Generally, to receive a refund of taxes paid, Form 1120X-ME must be filed within three years after the date the original return was filed, or within three years after the date the tax was paid, whichever is later. This time limit does not apply when the Internal Revenue Service makes an adjustment that affects the taxpayer's liability.

Combined Reports: Refer to the instructions for Form CR and combined reporting. A copy of Form CR must be attached to Form

MAINE CORPORATE INCOME TAX

2014 MAINE AMENDED RETURN, 1120X-ME INSTRUCTIONS - cont.

1120X-ME if the entity is a member of a unitary business group.

Reason for change: Check the appropriate box to identify the reason for filing this form:

- 1) If an Internal Revenue Service audit change, attach a copy of the federal audit;
- 2) If a net operating loss, attach a copy of federal Form 1139;
- 3) If an amended federal Form 1120X, attach a copy of the federal amended return;
- 4) If an accounting change, attach approval of acceptance from the Internal Revenue Service;
- 5) If other, attach a written explanation of change.

Column A: Enter the amounts from the return as originally filed or previously amended. If the return was adjusted or audited by the State of Maine, enter the amounts as last adjusted.

Column B: Enter the net increase or net decrease for each line that is changed. Use a minus sign to the left of the number to indicate a decrease.

Column C: This column must be filled out completely even if the amount in column A is not being adjusted. Combine the amounts in column A and column B and enter the result in column C.

SCHEDULES A - D:

Check the amended box if the schedule is being changed as a

result of this amended return and complete each schedule with the amended figures. Check the original or previously adjusted box if the schedule shows the figures as last adjusted or originally filed. In all cases, properly complete columns A, B and C of Form 1120X-ME, lines 7a, 7b and 8d as they relate to Schedules A, B and C.

Schedule A: Schedule A is for corporations engaged in interstate business. If this is the case, the schedule must be completed, even if the figures are not changing from the original or as previously adjusted. See additional Schedule A instructions.

Schedule B: Complete this schedule even if amounts are the same as originally filed or previously adjusted. Note: the method of calculating minimum tax was changed for tax years beginning after 2003. Be sure to use the Schedule B applicable to the tax year return being amended.

Schedule C: If there were other credits on the original return that are still valid, those credits must be entered here, even if no adjustments are being made. See Schedule C instructions.

Schedule D: A minimum tax credit is available for tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete this schedule to calculate the credit. This schedule must be completed and line 31g entered on Schedule C, line 29j, even if the numbers are not changing from the original return or as previously adjusted.

NOTE: For tax years 2005 and later, the gross tax amount must be apportioned to determine Maine liability. For tax years 2007 and later, the Schedule A apportionment calculation is based completely on sales. Be sure to select the correct amended form for the year being amended. For more information, see instructions for Form 1120ME, lines 6 and 7a.

An incomplete Form 1120X-ME cannot be processed. Attaching schedules or spreadsheets in lieu of this form is not acceptable.