



# Worksheet for Form 1040ME, Schedule 1, Line 2k

## Income Modifications - Other Subtractions

Use this worksheet to list Other Subtraction Income Modifications - for amounts that are taxable by the federal government but not by Maine in order to complete Form 1040ME, Schedule 1, line 2k. Include only items specifically listed below.

Include the taxpayer's distributive share of each item from partnerships, S corporations and other pass-through entities.

See pages 2 and 3 for a description of each item listed below.

TAXPAYER NAME: \_\_\_\_\_ EIN/SSN: \_\_\_\_\_

1. **Net operating losses** carried forward from previous tax years ..... 1. \_\_\_\_\_
2. **Non-Maine active duty military pay** received by a Maine resident..... 2. \_\_\_\_\_
3. **Military compensation** received by a nonresident servicemember ..... 3. \_\_\_\_\_
4. **Military annuity payments** made to a survivor of a deceased member of the military ... 4. \_\_\_\_\_
5. **Standard deduction recovery amounts** ..... 5. \_\_\_\_\_
6. **Discharge of indebtedness** ..... 6. \_\_\_\_\_
7. **Student loan payments** made by your employer under the Maine educational opportunity program..... 7. \_\_\_\_\_
8. **Amount of the reduction in your salaries and wages expense deduction** related to claiming the federal Work Opportunity Credit or Empowerment Zone Credit ..... 8. \_\_\_\_\_
9. **Holocaust victim Settlement Payments** ..... 9. \_\_\_\_\_
10. **Family Development Account** proceeds ..... 10. \_\_\_\_\_
11. **Earnings from fishing operations** contributed to a capital construction fund..... 11. \_\_\_\_\_
12. **Military retired pay** received by certain licensed dentists ..... 12. \_\_\_\_\_
13. **Northern Maine Transmission Corporation** investment income..... 13. \_\_\_\_\_
14. **Municipal property tax benefits** for senior citizens ..... 14. \_\_\_\_\_
15. **Maine Waste Management & Recycling Program** - interest income and capital gains from the sale of program bonds ..... 15. \_\_\_\_\_
16. **All items of income, gain, interest, dividends, royalties and other items of income** of a pass-through financial institution due to an ownership share in the financial institution. (EIN of financial institution \_\_\_\_\_ ) ..... 16. \_\_\_\_\_
17. **The total of capital gains** and ordinary income resulting from depreciation recapture from the sale of multi-family affordable housing property. .... 17. \_\_\_\_\_
18. **Maine seed capital credit** distributions from a private venture capital fund..... 18. \_\_\_\_\_

19. **Sale of eligible timberlands** ..... 19. \_\_\_\_\_
20. **New markets capital investment credit**.....20. \_\_\_\_\_
21. **Total Other Subtractions** (add lines 1 through 20 and enter the total here and on Form 1040ME, Schedule 1, line 2k).....21. \_\_\_\_\_

## Worksheet for Form 1040ME, Schedule 1, Line 2k Income Modifications - Other Subtractions

**Line 1. Net Operating Loss (NOL) recapture.** For Maine tax purposes, taxpayers may, in years subsequent to the year of the loss, deduct an amount equal to the net operating loss carried back for federal tax purposes that was required to be added back to Maine income under 36 M.R.S. §§ 5122(1)(H) and 5122(1)(M), except that this NOL deduction was suspended for tax years beginning in 2009, 2010 and 2011. The carryover period for suspended NOL recapture subtraction modifications is equal to the allowable federal NOL carryforward period plus the number of years the subtraction modification was suspended. The deduction may not reduce Maine taxable income to less than zero and must be reduced by any Maine income that was previously offset by the loss in the year of the loss. Individual shareholders of an electing S corporation may also recapture an NOL addition modification claimed by the entity in a year the corporation was taxed as a C corporation. For more information on Maine's treatment of NOL's, go to [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) (select Income Tax Guidance Documents). 36 M.R.S. §§ 5122(2)(H), 5122(2)(P), 5122(2)(V), 5122(2)(W) and 5122(2)(CC).

**Line 2. Non-Maine active duty military pay.** This deduction is limited to that portion of the tax year during which you were a Maine resident. To the extent included in federal adjusted gross income and to the extent not otherwise removed from Maine income, enter on this line the amount of military compensation earned during the taxable year for service performed outside of Maine in compliance with written military orders. Military compensation is military pay (1) for active duty service in the active components of the United States Army, Navy, Air Force, Marines or Coast Guard if your permanent duty station during the performance of such service was located outside of Maine; OR (2) for active duty service in the active or reserve components of the United States Army, Navy, Air Force, Marines or Coast Guard or in the Maine National Guard if such service was in support of a federal operational mission or a declared state or federal disaster response when the orders were either at federal direction or at the direction of the Governor of Maine. Applies to tax years beginning on or after January 1, 2014. 36 M.R.S. § 5122(2)(LL).

**Line 3. Military compensation received by a nonresident servicemember.** The federal Servicemembers Civil Relief Act "SCRA" (Public Law No. 108-189, Section 511(d)) prevents states from including the military compensation of a nonresident servicemember (including a "Safe Harbor" resident servicemember) in total income when computing the applicable rate of tax imposed on other income earned by the nonresident servicemember, or their spouse, that is subject to tax by Maine.

**Line 4. Military annuity payments** made to a survivor of a deceased member of the military as a result of service in the active or reserve components of the United States Army, Navy, Air Force, Marines or Coast Guard under a survivor benefit plan or reserve component survivor benefit plan in accordance with 10 United States Code, Chapter 73 are exempt from Maine individual income tax. The deduction must exclude any amount included in the Maine pension income deduction on Form 1040ME, Schedule 1, line 2d. Applies to tax years beginning on or after January 1, 2011. 36 M.R.S. § 5122(2)(HH).

**Line 5. Standard Deduction Recovery amounts.** A subtraction modification is allowed on the Maine individual income tax return equal to the federal income recovery amount included in federal adjusted gross income that is related to a federal deduction in a prior tax year for which the taxpayer did not receive a tax benefit on the Maine return. 36 M.R.S. § 5122(2)(GG).

**Line 6. Discharge of indebtedness.** Enter on this line income recognized at the federal level through the deferral of income from the discharge of certain business indebtedness in accordance with Internal Revenue Code § 108(i) claimed as a Maine addition 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. § 5122(1)(CC). 36 M.R.S. § 5122(2)(DD).

**Line 7. Student loan payments made by employers.** Enter on this line the amount of student loan payments made directly to a lender by your employer on your behalf to the extent the payments are included in your federal adjusted gross income. Do not enter more than the benchmark loan payment (see the Worksheet for Educational Opportunity Tax Credit) multiplied by the number of months your employer made qualified loan payments. NOTE: You may claim this deduction only if you received an associate or bachelor's degree after 2007 and only with respect to loan payments made during that part of the tax year you were a qualified employee. A qualified employee is one who is a Maine resident and worked for an employer located in Maine. 36 M.R.S. § 5122(2)(FF).

- Line 8. Amount of the reduction in your salaries and wages expense deduction.** A subtraction modification is allowed on the Maine individual income tax return in an amount equal to the reduction in your salaries and wages expense deduction directly related to claiming the federal Work Opportunity Credit or Empowerment Zone Credit. These amounts are reported on federal Form 5884, line 2 or federal Form 8844, line 2. (Owners of pass-through entities, enter your share of the amount from line 3 of these forms to the extent not included on line 2). 36 M.R.S. § 5122(2)(B).
- Line 9. Holocaust victim settlement payments.** Settlement payments received by Holocaust victims are exempt from Maine individual income tax. Enter on line 9 Holocaust victim settlement payments included in federal adjusted gross income. A Holocaust victim is an individual who died, lost property, or was a victim of persecution between January 1, 1929 and December 31, 1945 in Nazi Germany or in any European country allied with or occupied by Nazi Germany as a result of discriminatory laws, policies or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation or national origin. A Holocaust victim includes the spouse or descendant of a Holocaust victim. The exemption applies only to the first taxpayer (the Holocaust victim or the spouse or descendant of the Holocaust victim) receiving a Holocaust victim settlement payment. Enter on this line the following settlement payments eligible for the exemption: 1) payment as a result of the taxpayer's status as a Holocaust victim; 2) payment as a result of the settlement of a Holocaust-related claim; and 3) interest on any settlement payment accumulated through the date of payment. 36 M.R.S. § 5122(2)(O).
- Line 10. Family Development Account Proceeds.** Individuals whose family income is below 200% of the poverty level may open a family development account in connection with an approved community development organization. Account balances and withdrawals are exempt from Maine individual income tax to the extent included in federal adjusted gross income. For more information, contact the Finance Authority of Maine. 10 M.R.S. § 1077(4).
- Line 11. Earnings from fishing operations.** A subtraction modification is allowed on the Maine individual income tax return in an amount equal to the amount of the reduction in federal taxable income related to vessel earnings from fishing operations that were contributed to a capital construction fund. 36 M.R.S. § 5122(2)(I).
- Line 12. Military retired pay received by certain dentists.** Certain licensed dentists may reduce Maine taxable income by the amount of military retired pay to the extent included in federal adjusted gross income but which is not claimed for the pension income deduction allowed by 36 M.R.S. § 5122(2)(M-1). Dentists may claim this deduction only if they practice an average of 20 hours or more per week in Maine during the tax year and accept patients who receive MaineCare benefits. 36 M.R.S. § 5122(2)(BB).
- Line 13. Northern Maine Transmission Corporation investment income.** The Northern Maine Transmission Corporation is a public instrumentality of the State. All bonds, notes or other evidences of indebtedness issued on behalf of the Northern Maine Transmission Corporation are issued by a political subdivision or a body corporate and politic of the State and for an essential public and governmental purpose. Those bonds, notes or other evidences of indebtedness, the interest on them and the income from them, including any profit on their sale, and all activities of the corporation and fees, charges, funds, revenue, income and other money of the corporation, whether or not pledged or available to pay or secure the payment of those bonds, notes or other evidences of indebtedness or interest on them, are exempt from Maine individual income tax. Enter on line 13 the amount of income from investments in the Northern Maine Transmission Corporation to the extent included in federal adjusted gross income. 10 M.R.S. § 9205.
- Line 14. Municipal property tax benefits for senior citizens.** A municipality, by ordinance, may adopt a program that permits claimants who are at least 60 years of age to earn benefits up to a maximum \$750 by volunteering to provide services to the municipality. The amount of the benefits received during the tax year are exempt from Maine individual income tax. Enter on line 14 the amount of volunteer benefits you received, up to \$750, to the extent included in federal adjusted gross income. 36 M.R.S. §§ 5122(2)(EE) and 6232(1-A).
- Line 15. Maine Waste Management and Recycling Program.** Revenue obligation securities issued on behalf of the Maine Waste Management and Recycling Program constitute a proper public purpose and the securities, their transfer and the income from them, including any profits made on their sale, are exempt from Maine individual income tax. Enter the amount of interest income and capital gains from the sale of bonds issued relative to the Maine Waste Management and Recycling Program to the extent included in federal adjusted gross income. 38 M.R.S. § 2218.
- Line 16. Income from ownership share in a financial institution.** Enter on this line all items of income, gain, interest, dividends, royalties and other items of income of a financial institution subject to the Maine franchise tax that are included in your federal adjusted gross income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Also enter the employer identification number of the financial institution. 36 M.R.S. § 5122(2)(K).
- Line 17. Income from depreciation recapture on the sale of multi-family affordable housing property.** To the extent not otherwise removed from Maine income, enter the total amount of capital gains and ordinary income resulting from depreciation recapture in accordance with Internal Revenue Code sections 1245 and 1250 realized on the sale of multi-family affordable housing property certified by the Maine State Housing Authority. A copy of the MSHA certificate must be attached to the return. 36 M.R.S. § 5122(2)(Z).

**Line 18. Maine seed capital credit refundable distributions.** Enter the refundable portion of the Maine seed capital investment tax credit allowed under 36 M.R.S. § 5216-B to the extent included in federal adjusted gross income. Private venture capital funds may claim the seed capital investment tax credit and the credit is refundable to those entities. The refundable portion of the credit is excluded from Maine taxable income. 36 M.R.S. § 5122(2)(JJ).

**Line 19. Sale of eligible timberlands.** A subtraction modification is allowed on the Maine individual income tax return equal to 6 2/3% of the gain from the sale of sustainably managed, eligible timberlands that is included in federal adjusted gross income. 36 M.R.S. § 5122(2)(U).

**Line 20. New markets capital investment credit.** A subtraction modification is allowed on the Maine individual income tax return equal to any income recognized from the new markets capital investment credit that is included in federal adjusted gross income. 36 M.R.S. § 5219-HH).