

# MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 7, No. 7

SEPTEMBER 1997

Public Communications Tel: (207) 626-8475

## MAINE REVENUE SERVICES

Chapter 526 of the Public Laws of 1997 provides that the Bureau of Taxation's name changes effective September 19, 1997. Thus, Maine Revenue Services is born. A period of a few months will be required to make the appropriate/logistical changes. Additionally, Maine Revenue Services will provide services such as forms processing, check processing, collection of delinquent moneys, and other administrative services to various state agencies.

This fall Maine Revenue Services will be providing the public with notice of its creation. The State Tax Assessor will become the Executive Director of Maine Revenue Services.

## LAST CHANCE - MAINE TAX INSTITUTE

Don't forget to register for the Maine Tax Institute to be held at Thomas College in Waterville on October 23-24, 1997. Sponsored by Thomas College in conjunction with Maine Revenue Services and the Internal Revenue Service, a comprehensive program covering both federal and state tax law changes and policy has been developed. Contact Thomas Largay at (207)873-0771 Ext. 312 for details.

## REGISTRATION OF PAYROLL SERVICE PROVIDERS

New legislation requires payroll processing companies to annually register with Maine Revenue Services and to disclose certain information to their clients about the services they provide. As a result, two new forms are required: The Registration Form and the Disclosure Form (see copies enclosed). We consulted with the Maine Association of Payroll Processors, the Department of Labor and the Department of Professional and Financial Regulations to make the forms as friendly as possible for those who must use

them. The Registration Form must be filed annually with Maine Revenue Services by January 30 beginning January 30, 1998. The Disclosure Form must be provided to clients at the time of contracting and September 1 of each even-numbered year thereafter beginning September 1, 1998. Both forms may be duplicated as needed. Penalties for civil and criminal violations apply if the registration and disclosure requirements are not met. The effective date of the new legislation is September 19, 1997. (10 MRSA Chapter 222).

## STATE PARK PASSES

Beginning with the 1998 filing season, State of Maine Park passes can be purchased through Maine Revenue Services when the 1997 Maine individual income tax return is filed. Park passes may be purchased at a cost of \$20 for an individual season pass and \$40 for a vehicle season pass. An individual pass allows only the pass holder free day use of Maine's state parks and historic sites. A vehicle pass allows all occupants of the vehicle free day use. Any pass purchased will reduce the amount of the taxpayer's refund or increase the amount owed on the return. More details will be released in a later issue of the Tax Alert.

## INTERNET FILING OF SALES/USE TAX RETURNS

Maine Revenue Services is in the development stage of creating the ability to accept sales and use tax returns filed through the Internet. Although details are not available at the time of this printing, a special notice will be inserted with the Tax Alert when this functionality does become available.

## TELEPHONE TAXPAYER ASSISTANCE

The Income Tax Division continues to make improvements to the telephone system to better handle taxpayer calls. A queue was added to the menu system in July which allows the caller the opportunity to hold for assistance rather than be dropped from the system. Statistics show that since implementation of the queue system, the Division has been able to answer more than 90% of the calls. But, we are not stopping here, later this month or in early October a computer software telephone system will be installed to monitor telephone traffic. A visual alarm will be triggered when the queue gets backed up or a call has been held in queue too long. The supervisor will immediately staff additional lines to accommodate the calls during peak periods.

## CORPORATE TAX

You may not have noticed that the 1996 Corporate booklet included a Corporate Short Form. Our records indicate that close to 10,000 corporate tax filers are eligible to file using the short form, yet only 1,500 have taken advantage of this timesaving form. Anyone electing to file this form is required to fill out their entity information and no more than 8 lines as opposed to 4 pages if the Corporate long form is used.

Upcoming changes in the 1997 Corporate booklet include Form 1120X-ME, an extension form, and expanded instructions and examples for combined reporting, NOL carryovers, and unitary issues.

## CIGARETTE TAX INCREASE

This is a reminder that as of November 1st, the state excise tax on cigarettes sold in Maine doubles. The tax on a pack of 20 cigarettes will increase from \$.37 to \$.74. Approximately 3,000 retailers are affected by this change.

Maine Revenue Services has published interim guidelines to assist retailers and wholesalers during the transition. Included is a one-time inventory tax return. There is a very short time period in which to file these special returns. Tax professionals requiring additional information should contact Maine Revenue Services at (207)287-4756. Notices and instructions concerning the tax change have been mailed to all retailers.

## REAL ESTATE WITHHOLDING AND THE STATUTE OF LIMITATIONS

36 M.R.S.A. 5250-A. Withholding on sales of real estate. 36 M.R.S.A. 5278. Limitations on credit or refund. Pursuant to 36 M.R.S.A. 5250-A(2), with certain exceptions, "[e]very buyer of real property located in Maine must withhold a withholding tax equal to 2.5% of the consideration." Taxpayers can obtain an exemption from the withholding, or a reduction in the withholding, if certain criteria are met. 36 M.R.S.A. 5250-A(3),(4).

Administration of the law requiring real estate withholding for nonresident sellers became effective on January 1, 1992. However, there are still instances where taxpayers are due a refund from the 2.5% income tax that is withheld at the time of sale, but the refund is denied because the taxpayer filed a claim for refund that was untimely under 36 M.R.S.A. 5278(1)

Recent decisions where the Appellate Division upheld denials include a case where there was a loss on the sale of Maine real estate and yet the seller did not request an exemption prior to the sale (on grounds that there was no gain on the transfer), nor did the seller file a tax return to claim a refund within two years from the time the tax was paid. In another instance, a church sold Maine real estate and did not request an exemption from real estate withholding. The withholding tax was deemed paid on April 15th of the following year. More than two years after that April 15th, the church then requested a claim for refund of the withholding which was denied pursuant to 36 M.R.S.A. 5278(1), on the grounds that it was filed beyond the applicable two year period for a timely claim.

In both examples above, the bottom line is the same: if the taxpayer expects a refund of all or part of the withholding, the claim for refund must be timely filed under 36 M.R.S.A. 5278(1) without exception. If the taxpayer did not timely file an income tax return for the tax year at issue, the statute of limitations is two years from the time the tax was paid.

If you have any questions regarding real estate withholding, please call Linda Cyr of the Income Tax Division at (207) 626-8473.

State of Maine - Individual Income Tax

1997 Rates

1997 Inflation Factor is .994

Note: Since the Inflation Factor is less than 1.000, no inflation adjustments have been made in the tax rate schedule dollar bracket amount and the personal exemption amount (see 36 MRSA 5403).

**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: \$2,150

Standard Deduction: Single - \$4,150

Head-of-Household - \$6,050

Married Filing Jointly - \$6,900

Married Filing Separate - \$3,450

Additional Amount for Age or Blindness:

\$800 if married (whether filing jointly or separately) or a qualified surviving spouse. The additional amount is \$1,600 if one spouse is 65 or over and blind, \$1,600 if both spouses are 65 or over, \$3,200 if both spouses are 65 or over and blind, etc.

\$1,000 if unmarried (single or head-of-household). The additional amount is \$2,000 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 \$650 or earned income up to the standard deduction amount.

**MAINE REVENUE SERVICES** <http://www.state.me.us/taxation>

**...Order tax forms through the WebPage?...YES!**

**SUGGESTIONS FOR TAX ALERT?**

**Please contact:** Maine Revenue Services  
Public Communications Director  
24 State House Station  
Augusta, ME 04333-0024

**STATE OF MAINE**

**Angus S. King, Governor**

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

**Brian H. Mahany, Executive Director**

**TAX QUESTIONS? PLEASE CONTACT US:**

<b>Maine Revenue Services</b>	<b>(207)287-2076</b>	<b>FAX (207) 287-4028</b>
<b>Central Registration</b>	<b>(207)287-2338</b>	<b>FAX (207) 287-3733</b>
<b>Collections &amp; Compliance</b>	<b>(207)287-3301</b>	<b>FAX (207) 287-6627</b>
<b>Corporate Tax</b>	<b>(207)624-7876</b>	<b>FAX (207) 287-4028</b>
<b>Electronic Funds Transfer</b>	<b>(207)287-8276</b>	<b>FAX (207) 287-6396</b>
<b>Estate Tax</b>	<b>(207)626-8480</b>	<b>FAX (207) 287-4028</b>
<b>Excise Tax</b>	<b>(207)287-3851</b>	<b>FAX (207) 287-6628</b>
<b>Forms Request Line</b>	<b>(207)624-7894</b>	<b>FAX (207) 626-3517</b>
<b>Income Tax Assistance</b>	<b>(207)626-8475</b>	<b>FAX (207) 287-4028</b>
<b>Paym't Plans/Income Tax</b>	<b>(207)621-4300</b>	<b>FAX (207) 621-4328</b>
<b>Payment Plans/ Other</b>	<b>(207)287-3301</b>	<b>FAX (207) 287-4028</b>
<b>Practitioners' Hotline</b>	<b>(207)626-8458</b>	<b>FAX (207) 287-4028</b>
<b>Property Tax</b>	<b>(207)287-2011</b>	<b>FAX (207) 287-6396</b>
<b>Public Communications</b>	<b>(207)287-6362</b>	<b>FAX (207) 287-4028</b>
<b>Sales Tax</b>	<b>(207)287-2336</b>	<b>FAX (207) 287-6628</b>
<b>Taxpayer Advocate</b>	<b>(207)287-4562</b>	<b>FAX (207) 287-6627</b>
<b>TTY Service</b>	<b>(207)287-4477</b>	<b>-----</b>
<b>Withholding Tax</b>	<b>(207)626-8475</b>	<b>FAX (207) 287-4028</b>

**MAINE TAX ALERT - SEPTEMBER 1997**

**Vol. 7 No. 7**

**MAINE REVENUE SERVICES**

**24 State House Station**

**Augusta ME 04333-0024**