



# MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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## *PINless FastFile*

Maine Revenue Services is pleased to announce that PINs and signature documents are no longer required for E-file or I-file beginning with 2004 Maine individual income tax returns. Under Maine law, electronic transmittal itself of returns is considered the signature. Taxpayers who otherwise would have received a PIN will be notified of this change by mail in early January.

Maine Revenue Services encourages the use of electronic filing and payment options. Taxpayers who file electronically and use the direct deposit option will receive their refunds in as few as 7 days from the date of transmittal. Taxpayers with a tax underpayment can choose the delayed debit option to file early but have the funds withdrawn from their accounts on April 15<sup>th</sup> for a paperless payment transaction. See our website for more details. [www.maine.gov/revenue/netfile/gateway2.htm](http://www.maine.gov/revenue/netfile/gateway2.htm)

## **New On Our Web Site**

Maine Revenue Services has two new guidance documents posted to the web site:

***Bonus Depreciation/Section 179 Expense Guidance*** provides a summary of the law changes, general instructions and answers many questions MRS has received about the add-back and subsequent recovery. It also includes examples that, when used in conjunction with the examples posted earlier in 2004, will address varied situations. Because this is a work in progress, if you still have unanswered questions or have a specific example not covered in either document, e-mail the questions or information to [Income.Tax@maine.gov](mailto:Income.Tax@maine.gov).

***Pine Tree Development Zone Program Guidance*** describes the application and certification process and benefits to businesses that qualify. The document includes many examples of how the credits will be applied to the expansion of an existing business, to owners of pass-through entities and other situations.

Go to [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) to download the brochures.

Not so new, but still important, is the ***Guidance to Residency Status*** brochure. This document answers many of the taxpayer's questions regarding, and provides several examples of, residency status, and is also available on our web site.

## **New Alternative Minimum Tax Computation**

There have been substantial changes to the way the Maine AMT is calculated. New individual AMT worksheets are available now online and corporate AMT worksheets will be posted soon.

## 2004 Maine Income Tax Forms

Downloadable versions of the following 2004 forms and instructions are now on the Maine Revenue Services web site:

- **1040S-ME** resident short form and instructions
- **1040L-ME** long form and instructions
- **Schedules 1 & 2** income modifications and itemized deductions/pension income deduction worksheet
- **Schedule A** and adjustments to tax/child care credit worksheet/Schedule 3 credit for taxes paid to another jurisdiction
- **Schedule CP** voluntary contributions and purchase of park passes
- **Minimum tax worksheet**
- **Worksheets A & B** residency information and income allocation for nonresidents and part-year residents
- **Schedule NR** apportionment of income/deductions for nonresidents and part-year residents
- **Schedule NRH** apportionment of income/deductions for married person electing to file single
- **1065ME/1120S-ME** informational return for partnerships and S corporations
- **Schedule PSI** -- listing of Partner/Shareholder Income
- **Schedule 1040C** -- worksheet for composite filing for nonresident partners/shareholders
- **Schedule NRC** -- listing of composite filers' income

### Note the following changes to these schedules and worksheets:

1. **Schedule 1, line 1f** has been added for the Health Savings Accounts add-back; line 1g is now for other income additions including but not limited to the add-back for qualified tuition and other education expense and student loan interest (payments made after first 60 months). See instructions for full list of other add-backs required to be reported on this line.
2. **Schedule 1, line 2h** has been modified to include a deduction for the amount claimed for the federal Empowerment Zone Credit and **Schedule 1, line 2j** has been added for the Bonus Depreciation and Section 179 Recapture.
3. **Schedule 2, line 5a** includes instructions to deduct income taxes *or general sales taxes* included in the federal itemized deductions.
4. **Worksheet for Maine Schedule 1, line 2f** has an additional line to deduct the portion of long-term care insurance premiums claimed by a self-employed taxpayer on federal Form 1040, line 31.
5. **Schedule A, Section 1, Tax Additions** includes an additional line to allow the application of the Pine Tree Development Zone credit against Maine Alternative Minimum Tax.
5. **Schedule A, Section 2, Tax Credits** lines have been added for the new Biofuel Production and Pine Tree Development Zone tax credits. Also new this year is the Other Tax Credits line; see instructions for credits that can be claimed on this line.
6. **Schedule CP, lines 7 & 8** have been added for contributions to the Companion Animal Sterilization Fund and the Maine Military Family Relief Fund

### Coming soon:

- Instructional pamphlet for Schedule 3
- Instructional pamphlet for Schedule NRH
- **2210ME** underpayment of estimated tax
- **1120A-ME** corporate short form
- **Form CR** - combined return for unitary business members
- **2220ME** underpayment of estimated tax
- **1120X-ME** amended income tax return
- Instructional pamphlet for Schedule NR
- **Worksheet C** employee apportionment of wages/salaries
- **Annualized** income installment worksheet for **Form 2210ME**
- **1120ME** corporate income tax form and instruction
- **1120B-ME** franchise tax return
- **Annualized** income installment worksheet for **Form 2220ME**
- **1120EXT-ME** extension payment voucher

## 2005 Forms

The following 2005 forms will be posted to our web site soon:

- [1120ES -- vouchers for estimated tax payments](#)
- [941P-ME -- withholding for nonresident members of a pass-through entity, withholding listing page for Form 941P-ME, and instructions for 941P-ME](#)
- [941A-ME -- amended return of income tax withheld](#)
- [941E-ME Pass-through entity withholding exemption form](#)
- [941LM-ME List of participating members in the compliant taxpayer exemption](#)
- [941CF-ME Nonresident member agreement to participate in a composite filing of Maine income tax](#)
- [941AF-ME Nonresident member affidavit and agreement to comply with Maine income tax](#)
- [1099ME summary of amounts withheld from member for the year](#)

### Year-end Reporting of Pass-through Entity Withholding

Form 1099ME is used to report Maine pass-through entity withholding for nonresident owners or beneficiaries. After the calendar year and before February 16, the pass-through entity must issue Form 1099ME to each owner for whom Maine income tax was withheld and sent to Maine Revenue Services with the Form 941P-ME. Form 1099-ME identifies the owner's share of Maine income tax withheld by the entity for the calendar year.

MRS has received a number of 1099ME forms that were not properly completed. Please remember the following guidelines when preparing this form:

- A separate Form 1099ME is issued to each nonresident owner subject to Maine Pass-through withholding.
- Report only that owner's share of withholding for whom the Form 1099ME is being prepared.
- Do **NOT** include REW payments or other monies withheld on Form 1099ME. REW payments are reported separately on Form REW-1.
- Do not report the pass-through entity's income on Form 1099ME.

### Exemptions from Maine Pass-through Entity Withholding

During 2004, many pass-through entities received exemptions from the recently enacted requirement to withhold from the entity's Maine source income of nonresident owners. An entity that has either a conditional or requested exemption for any of its owners must renew the exemption each year. Consequently, the exemptions received during 2004 will soon expire. A pass-through entity that had a conditional or requested exemption must file a new application for 2005 or begin withholding. Applications for 2005 will be mailed to pass-through entities that received either a conditional or requested exemption in 2004. Additional applications will soon be available on our web Site. For more information on pass-through entity withholding go to: <http://www.maine.gov/revenue/ptwith.htm>

**Note:** *The above link is no longer active. For more information about pass-through entity withholding, go to [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate).*

### Payroll Processor Update

Effective January 1, 2005, the payroll processor registration process maintained by Maine Revenue Services will be transferred to the Office of Consumer Credit Regulation. For more information see the OCCR web site: [http://www.maine.gov/pfr/ccp/ccp\\_index.htm](http://www.maine.gov/pfr/ccp/ccp_index.htm)

Effective January 30, 2005, payroll processors may not designate themselves as sole recipients of notices from state or federal tax agencies. Employers will be required to sign a disclaimer should they elect to use their processor's address. The disclaimer form is currently in development and will be available soon.

## Year-end Reporting for Maine Payroll Withholding

Persons required to withhold Maine income tax from payroll or other distributions, except pass through entity withholding, must file an annual reconciliation return, Form W-3ME by February 28. If Maine withholding for each employee or payee was provided on the quarterly withholding returns for each quarter of 2004, the requirement to submit this data with Form W-3ME is waived. If the amount of Maine withholding for each employee or payee was not provided each quarter during 2004, the data must be submitted with Form W-3ME. Please note that reporting the amount of income withholding for each individual on the Wage & Withholding Listing is no longer optional. For more detailed information on when Maine withholding data must be reported with Form W-3ME, see the revised instructions for the 2005 Form W-3ME (due February 2006), which will be posted to the MRS Web site by December 31, 2004.

The 2005 Maine withholding tables have been posted to the MRS Web site at <http://www.state.me.us/revenue/forms/2005forms.html> and paper copies will be mailed very soon to registered employers.

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 287-2076	(207) 287-5855	
Appellate	(207) 287-8549	(207) 287-3294	
Central Registration	(207) 287-2338	(207) 287-3733	<a href="mailto:division.uctax@maine.gov">division.uctax@maine.gov</a>
Collections & Compliance	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Corporate Tax	(207) 624-9670	(207) 624-9694	<a href="mailto:corporate.tax@maine.gov">corporate.tax@maine.gov</a>
E-file Help Desk	(207) 624-9730	(207) 624-9740	<a href="mailto:efile.helpdesk@maine.gov">efile.helpdesk@maine.gov</a>
Economic Research	(207) 287-6965	(207) 287-3618	
Electronic Funds Transfer	(207) 287-8276	(207) 287-6627	<a href="mailto:efunds.transfer@maine.gov">efunds.transfer@maine.gov</a>
Estate Tax	(207) 626-8480	(207) 624-9694	<a href="mailto:income.tax@maine.gov">income.tax@maine.gov</a>
Fuel Tax	(207) 624-9745	(207) 287-6628	<a href="mailto:fuel.tax@maine.gov">fuel.tax@maine.gov</a>
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	<a href="mailto:income.tax@maine.gov">income.tax@maine.gov</a>
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Payment Plan/Other	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2011	(207) 287-6396	<a href="mailto:prop.tax@maine.gov">prop.tax@maine.gov</a>
Public Communications	(207) 624-9684	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	<a href="mailto:sales.tax@maine.gov">sales.tax@maine.gov</a>
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	<a href="mailto:taxpayer.advocate@maine.gov">taxpayer.advocate@maine.gov</a>
TTY Service	(207) 287-4477	-----	
Withholding Tax	(207) 626-8475	(207) 624-9694	<a href="mailto:withholding.tax@maine.gov">withholding.tax@maine.gov</a>
Tax Violations Hot Line	(207) 624-9600		

This publication is designed to keep taxpayers, tax practitioners and the general public informed of developments, problems, questions and matters of general interest concerning Maine tax law, policy and procedure. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for Maine tax laws and/or regulations.

Suggestions for the Tax Alert?

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