



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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Maine Revenue Services Announces New Supervisor in the Property Tax Division

Maine Revenue Services is pleased to announce that Mike Rogers has been selected to the position of Property Appraiser III, Supervisor of Municipal Services for the Property Tax Division. Mike has been with the Division since 1977 and has held the position of Property Appraiser II since 1982. His skills and experience will be valuable in providing oversight of the State's annual valuation process.

Maine Revenue Services Paperwork Reduction Initiative

MRS has established a Paperwork Reduction Committee charged with reducing the burden of paper-based tax administration through increased taxpayer participation in electronic filing and electronic payments and through return simplification. Initiatives already implemented or underway include increasing participation in I-file, MRS's internet filing application, by broadening eligibility, including certain non-resident 1040 returns and adding the Service Provider Tax and W-3s to the I-file applications. Other topics under discussion are additional mandates for electronic filing and amending Rule 102 to lower the threshold for mandated electronic payments. MRS is seeking recommendations from Maine tax professionals on additional steps to reduce paper filings. You can help by participating in the survey available at www.FreeOnlineSurveys.com/rendersurvey.asp?id=139441. The survey asks for opinions and suggestions on electronic filing mandates. Additional suggestions for electronic filing and payments may be submitted through Question 19 for other comments.

2005 Individual Income Tax

2005 individual income tax return processing is off to a quick start. Over 273,000 returns have been processed and 215,150 refunds have been issued to date. Over 50% of the returns processed were filed electronically. E-filed returns are generally processed within 2 days of receipt and refunds are normally issued within 7 days.

Maine EZ Pay

Maine EZ Pay is an electronic application that allows Maine taxpayers to make tax payments online, quickly and easily at www.maine.gov/revenue. Almost any type of tax payment can be made including individual payments, such as individual income tax estimate payments and estate tax payments, and business tax payments, such as withholding and unemployment, and sales tax. Maine EZ Pay eliminates the need to file paper payment forms.

To avoid having to make payments earlier than necessary, payments may be scheduled in advance and will automatically be withdrawn on the payment date the taxpayer selects.

Taxpayers must pre-register online with personal and bank account information, and payments will be withdrawn from the checking or savings account that is set up in the registration.

Maine 1040 E-File Program

Maine's current E-File Handbook, E-File Record Layouts (including Reject Error Codes), income tax forms, FAQs and other useful e-file information for software developers and preparers of e-file returns (ERO's) are available on the MRS web site at www.maine.gov/revenue/developers. Note that E-File FAQ's designed specifically for individual taxpayers are located at www.maine.gov/revenue/faqs/electronic_filing_faq.shtml.

Error Codes located in Column G of the Record Layouts can be used to determine why an e-file return has been rejected. If you are unable to determine why an electronically filed return has been rejected using the error codes, contact your software company.

MRS validates ERO EFIN's (Electronic Filer Identification Number) using master files obtained from the IRS. Occasionally, Maine's database will not contain a valid EFIN which will cause a return to reject with error code 9405. When this occurs, the ERO should immediately send a copy of the federal acceptance letter(s) containing the EFIN(s) to MRS by fax to (207) 624-9740 or e-mail an electronic version to efile.helpdesk@maine.gov. After the EFIN is confirmed to be valid, it will be added to Maine's database so that returns can be retransmitted. MRS recommends that you wait 24 hours before retransmitting.

Taxpayers should be instructed to wait at least 2 weeks after the e-filed return has been accepted by MRS before inquiring on the status of a refund. For automated information on the status of refunds, visit the MRS web site at www.maine.gov/revenue (click on Where's My Refund). If automated refund information is not available, the taxpayer or authorized designee may call the MRS Income Tax Division at (207) 626-8475. Preparers with electronic filing problems should contact their software provider for assistance. If the software provider is unable to provide assistance, call the MRS E-file Help Desk at (207) 624-9730.

Maine Revenue Services Conforms to IRS Guideline to Postpone Taxpayer Deadlines in Areas Hardest Hit by Hurricane Katrina

In the October 2005 special edition of the Maine Tax Alert, the Maine Tax Assessor announced tax relief for Maine taxpayers affected by Hurricanes Katrina and Rita. This announcement also included a statement that MRS intended to grant similar future relief as granted by the IRS for federal tax purposes.

On February 17, 2006, the IRS announced that it will automatically extend filing due dates and certain tax payment due dates for individual and business taxpayers in the most severely damaged parishes and counties of Louisiana and Mississippi through August 28, 2006. For complete information, see IRS Notice 2006-20 (Internal Revenue Bulletin 2006-10). For a complete list of affected counties and parishes, see IRS News Release IR-2006-30.

For more information on the federal postponement of taxpayer deadlines, go to the Internal Revenue Service (IRS) web site at www.irs.gov/newsroom/article/0,,id=154615,00.html

The IRS is allowing affected taxpayers that have either an original or extended date falling on or after August 29, 2005 and on or before August 28, 2006 to file most tax returns and to make tax payments, including estimated tax payments on or before August 28, 2006. Affected returns include individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns. MRS will abate interest and any late filing or late payment penalty that would otherwise apply provided the returns are filed and the payments are made by August 28, 2006.

MRS will follow IRS Notice 2006-20 and extend to August 28, 2006 the deadline for filing Maine returns and paying Maine taxes for those taxpayers covered by the notice. These taxpayers are instructed to write "Hurricane Katrina" prominently at the top of their return or payment voucher when filing.

For affected taxpayers, the postponement of time to file and pay does not apply to information returns such as Forms W-2, 1098, 1099 or 5498 series. Penalties for failure to timely file information returns, however, can be waived as warranted under existing procedures on a case-by-case basis.

Taxpayers with questions about the special federal tax relief should contact the IRS at 866-562-5227 or go to the IRS web site at www.irs.gov for posted information. Taxpayers with questions about their Maine taxes are encouraged to contact MRS at 207-626-8475 (Income Tax) or 207-624-9693 (Sales Tax), or visit the MRS web site at www.maine.gov/revenue.

Maine Minimum Tax

MRS has clarified who must complete the Maine minimum tax worksheet. The downloadable Maine minimum tax worksheet instructions, on page 5, have been changed to clarify that taxpayers whose federal alternative minimum taxable income plus Maine addition income modifications is more than the Maine minimum tax exemption amounts must complete the minimum tax worksheet to determine whether they owe the minimum tax. See www.state.me.us/revenue/forms/1040/2005/1040MTWSi05.pdf

Adjusted Fuel Tax Rates

Each February 15th the State Tax Assessor must apply an inflation adjustment to current fuel tax rates to determine the fuel tax rates applicable beginning the following July 1.

The inflation index determined on February 15, 2006 is 1.034 (3.4%).

Below is a table of the rates and fuel tax types, which is also available at www.state.me.us/revenue/fueltax/fueltaxrates.htm. In addition, notification of the adjusted rates will be included with the fuel tax returns mailed in March.

Inflation Index	1.000	1.118	1.023	1.027	1.034
<u>Tax Type</u>	-	07/01/03	07/01/04	07/01/05	07/01/06
	06/30/03				
Gasoline	0.220	0.246	0.252	0.259	0.268
Diesel	0.230	0.257	0.263	0.270	0.279
Jet Fuel	0.034	0.038	0.039	0.034	0.034
Propane	0.160	0.179	0.183	0.188	0.194
Methanol	0.125	0.140	0.143	0.147	0.152
Ethanol	0.156	0.174	0.178	0.183	0.189
CNG	0.191	0.214	0.219	0.224	0.232

Commercial Farmer's/Fishermen - Sales Tax Exemption

All commercial farmers' and fishermen's exemption cards will expire July 1, 2006. All holders of such cards will receive renewal packages in the mail during April 2006. Everyone must complete a renewal application and return it to MRS by May 31, 2006 in order to maintain their exemption status. Cards that are renewed effective July 1, 2006, will be effective through June 30, 2010.

<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) 624-9854	(207) 287-3294	
Central Registration	(207) 287-2338	(207) 287-3733	division.uctax@maine.gov
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Corporate Tax	(207) 624-9670	(207) 624-9694	corporate.tax@maine.gov
Economic Research	(207) 624-9789	(207) 287-3618	
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 624-9740	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6627	efunds.transfer@maine.gov
Estate Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel Tax	(207) 624-9745	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	compliance.tax@maine.gov
Payment Plan/Other	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2011	(207) 287-6396	prop.tax@maine.gov
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@maine.gov
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	taxpayer.advocate@maine.gov
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@maine.gov
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.

STATE OF MAINE

John Elias Baldacci, Governor

Rebecca M. Wyke, Commissioner
Administrative and Financial Services

Jerome D. Gerard, Acting Executive
Director, Maine Revenue Services

Suggestions for the Tax Alert?

Please contact: Public Communications (207) 626-8478

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