

2021 MAINE

Resident, Nonresident, or Part-year Resident Individual Income Tax Booklet

Form 1040ME



Maine FastFile
Electronic filing and payment services



For more information, see www.maine.gov/revenue

Free internet access is available at most local libraries in Maine. See your librarian for details about free internet access.

TAXPAYER ASSISTANCE and FORMS

Visit www.maine.gov/revenue to obtain the latest tax updates, view frequently asked questions (FAQs), pay your tax, or email tax-related questions.

To download or request forms or other information: Visit www.maine.gov/revenue/tax-return-forms or call (207) 624-7894 - Every day 24 Hours.

TTY (for persons who are hard of hearing): 711 - Weekdays 9:00 a.m.- 12:00 p.m.

Schedule PTFC/STFC questions: call (207) 624-9784 - Weekdays 9:00 a.m.- 12:00 p.m.

Get refund status: Visit www.maine.gov/revenue or call (207) 624-9784 - Weekdays 9:00 a.m.- 12:00 p.m.

Income Tax Assistance: (207) 626-8475 - Weekdays 9:00 a.m.- 12:00 p.m.

Collection problems and payment plans: (207) 621-4300 - Weekdays 8:00 a.m.- 5:00 p.m. Call this number if you have a tax balance due that you would like to resolve.

Report tax violations: (207) 624-9600 - Call this number or send an email to MRS.TAXTIP@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.

Federal income tax information and forms: Call the Internal Revenue Service at (800) 829-1040 or visit www.irs.gov.

Form 1040ME due date: Tuesday, April 19, 2022

IMPORTANT CHANGES for 2021

Maine COVID disaster relief payment income subtraction modification. P.L. 2021, c. 398, Pt. HHHH § 4. For tax years beginning on or after January 1, 2021 but not later than December 31, 2022, the amount of Maine COVID disaster relief payment received is deductible in calculating Maine taxable income to the extent the payment is included in federal adjusted gross income.

Maine seed capital investment tax credit program. 10 M.R.S. § 1100-T(2)(C). The Seed Capital Tax Credit Program is changed to clarify that the aggregate investment eligible for tax credits made with respect to a business approved by the Finance Authority of Maine before April 1, 2020, may not exceed \$5,000,000 and that, with respect to that business, the \$2,000,000 annual limitation does not apply. In addition, the law reduces the annual aggregate credits that may be issued under the program during calendar years 2021 and 2022 from \$15,000,000 to \$13,500,000.

Loan Guarantee Program deferred interest income subtraction modification. 10 M.R.S. § 1100-DD(6). Interest deferred or not charged on a loan issued under the Loan Guarantee Program established under 10 M.R.S. § 1100-CC is exempt from all state taxes.

Business meals deduction income addition modification. 36 M.R.S. § 5122(1)(OO). For tax years beginning on or after January 1, 2021, Maine taxable income must be increased by the amount of any increase in the business meals deduction allowed for federal income tax purposes pursuant to the federal Consolidated Appropriations Act, 2021.

Bonus depreciation income subtraction modification. 36 M.R.S. § 5122(2)(X). An individual taxpayer may subtract an amount that was previously added back to federal taxable income by a corporation of which the taxpayer is a shareholder and by which, absent an S corporation election, the corporation could have reduced its federal taxable income for the taxable year pursuant to 36 M.R.S. § 5200-A(2) (FF), relating to bonus depreciation.

Net operating loss income addition/subtraction modifications. 36 M.R.S. §§ 5122(1)(LL) and 5122(2)(TT). For tax years beginning on or after January 1, 2021, Maine conforms to the federal 80% taxable income limitation for net operating losses.

Business interest deduction income subtraction modification. 36 M.R.S. § 5122(2)(VV). For tax years beginning on or after January 1, 2021, the amount of business interest deduction previously disallowed for Maine tax purposes and required to be added-back under 36 M.R.S. § 5122(1)(NN) may be recaptured, up to 25% per taxable year, to the extent that Maine taxable income is not reduced below zero and the amount has not been previously used to reduce Maine taxable income.

Earned income tax credit. 36 M.R.S. § 5219-S. For tax years beginning in 2021, the Maine earned income tax credit has been amended. Additionally, the Maine earned income tax credit is extended to individuals who file a federal income tax return using a federal individual taxpayer identification number assigned by the Internal Revenue Service (IRS) on or before the due date for filing the return to the extent the taxpayer is otherwise qualified for the earned income tax credit.

Credit for biofuel commercial production. 36 M.R.S. § 5219-X. For tax years beginning on or after January 1, 2021, the nonrefundable tax credit for biofuel commercial production and commercial use is reinstated.

Property tax fairness credit. 36 M.R.S. § 5219-KK. For tax years beginning in 2021, the maximum property tax fairness credit is increased to \$1,000 (\$1,500 for individuals 65 years of age or older).

Qualified Improvement Property (QIP) / Maine capital investment credit. 36 M.R.S. § 5219-NN(2)(H). QIP placed in service in Maine on or after January 1, 2021 may be included for purposes of calculating the Maine Capital Investment Credit. Previously, QIP placed in service after December 31, 2017 and before January 1, 2020, could not be included for purposes of calculating the Maine Capital Investment Credit.

Employer credit for family & medical leave. 36 M.R.S. § 5219-UU. For purposes of the employer credit for family and medical leave, the term "employees based in this state" is clarified to mean employees that perform more than 50% of employee-related activities for an employer at a location in Maine.

Credit for affordable housing. 36 M.R.S. § 5219-WW. For tax years beginning on or after January 1, 2021, a taxpayer receiving a tax credit certificate for the taxable year from the Maine State Housing Authority for an affordable housing project located in Maine may claim a refundable income tax credit for that taxable year.

Renewable chemicals tax credit. 36 M.R.S. § 5219-XX. For tax years beginning on or after January 1, 2021, a taxpayer is eligible to claim a credit to reduce the Maine tax imposed on income derived during the taxable year from the production of renewable chemicals in Maine, to the extent Maine income tax is not reduced below zero. Any unused credit may be carried over for up to 10 taxable years.

Credit for income taxes paid to other jurisdictions. For tax years beginning in 2021, a Maine resident who began teleworking in Maine due to the COVID-19 pandemic and who was performing the same services from a location outside of Maine immediately prior to the COVID-19 state of emergency declared by the Governor, or declared by the jurisdiction where the employee was performing the services, is allowed to claim the credit to the extent that 1) the services were performed during 2021 during the state of emergency period, 2) the other jurisdiction is asserting the income is sourced to that jurisdiction, and 3) the taxpayer does not qualify for an income tax credit in that jurisdiction for Maine income taxes paid as a result of the compensation.

Centralized partnership audit adjustments. 36 M.R.S. c. 815. The Maine reporting and tax payment requirements related to federal partnership adjustments under the new federal centralized partnership audit rules are changed to include negative federal adjustments arising from Internal Revenue Service partnership audits and administrative adjustment requests filed with the Internal Revenue Service. A refund may be claimed directly by the partnership in lieu of a refund to the affected partners to the extent that negative adjustments exceed positive adjustments. The Maine reporting and tax payment requirements related to federal partnership adjustments under the new federal partnership audit rules also apply to a partnership that has filed an administrative adjustment request with the federal Internal Revenue Service.

See the complete 2021 Summary of Tax Law Changes available at www.maine.gov/revenue/publications/rules.

MAINE REVENUE SERVICES MISSION STATEMENT

The mission of Maine Revenue Services is to fairly and efficiently administer the tax laws of the State of Maine, while maintaining the highest degree of integrity and professionalism.

GENERAL INSTRUCTIONS

Who must file? A Maine income tax return must be filed by **April 19, 2022**, if you are a resident of Maine who is required to file a federal income tax return or if you are not required to file a federal return, but do have income subject to Maine income tax resulting in a Maine income tax liability. Even if you are required to file a federal income tax return, you do not have to file a Maine income tax return if you have no income addition modifications (Form 1040ME, Schedule 1A, line 12) and your income subject to Maine income tax is less than the sum of your Maine standard deduction amount plus your personal exemption amount. However, you must file a return to claim any refund due to you. Generally, if you are a nonresident or a “Safe Harbor” resident who has income from Maine sources resulting in a Maine income tax liability, you must file a Maine income tax return. See below for more information on residency, including “Safe Harbors.” Nonresidents - see Schedule NR instructions for minimum taxability thresholds. Also see, 36 M.R.S. § 5142(8-B) and Rule 806.

For additional answers to frequently asked questions (FAQs), visit www.maine.gov/revenue/faq.

What is my Residence Status?

To determine your residency status for 2021, read the following.

Domicile: *Domicile is the place an individual establishes as his or her permanent home and includes the place to which he or she intends to return after any period of absence. A number of factors associated with residency are relevant in the evaluation of a claimed domicile. A domicile, once established, continues until a new, fixed and permanent home is acquired. To change domicile, a taxpayer must exhibit actions consistent with a change. No change of domicile results from moving to a new location if the intent is to remain only for a limited time, even if it is for a relatively long duration.*

• **Full-year Resident:** 1) Maine was my domicile for the entire year of 2021; or 2) I maintained a permanent place of abode in Maine for the entire year and spent a total of more than 183 days in Maine.

• **“Safe Harbor” Resident** (treated as a nonresident):

General Safe Harbor - Maine was my domicile in 2021, I did not maintain a permanent place of abode in Maine, I maintained a permanent place of abode outside Maine and I spent no more than 30 days of 2021 in Maine. An individual qualifying under the safe harbor rule will be treated as a nonresident for Maine individual income tax purposes.

Foreign Safe Harbor - I spent at least 450 days in a foreign country during any 548-day period occurring partially or fully in the tax year. The taxpayer must also meet other eligibility criteria. If you qualify for the Foreign Safe Harbor, you will be considered a “Safe Harbor” Resident and treated as a nonresident for the 548-day period even though you were domiciled in Maine.

File Form 1040ME and Schedule NR or NRH.

• **Part-year Resident:** I was domiciled in Maine for part of the year and was not a full-year resident as defined in 2) above. **File Form 1040ME and Schedule NR or NRH.**

• **Nonresident:** I was not a resident or part-year resident in 2021, but I do have Maine-source income. **Follow the federal filing requirements for filing status, federal adjusted gross income, and standard or itemized deductions. File Form 1040ME and Schedule NR or NRH.**

For additional information on determining Maine residency or if you are in the military, see the Maine Revenue Services *Guidance to Residency Status* and *Guidance to Residency “Safe Harbors”* available at www.maine.gov/revenue/tax-return-forms (select Income Tax Guidance Documents) or call the forms line at (207) 624-7894.

SPECIFIC INSTRUCTIONS — FORM 1040ME

Note: Form 1040ME is designed to comply with optical scanning requirements. Fill in the white boxes carefully in black or blue ink. Letters and numbers must be entered legibly within the outline area. Letters must be in upper case only.

Name, address, etc., start on the left; dollar amounts start from the right.

Round down to the next lower dollar any amount less than 50 cents. Round up to the next higher dollar any amount 50 cents or more. Do not enter dollar signs, commas, or decimals. **Due to scanning requirements, only original forms and schedules may be submitted.**

Print or type your name(s) and **current** mailing address in the spaces provided. **Social security number(s):** You **must** enter your social security number(s) in the spaces provided.

Check the box above your social security number if this is an **amended** return. You must file an amended Maine income tax return if (1) you have filed an amended federal income tax return that affects your Maine income tax liability; (2) the Internal Revenue Service has made a change or correction to your federal income tax return that affects your Maine income tax liability; or (3) an error has been made in the filing of your original Maine income tax return. For more information, see the frequently asked questions at www.maine.gov/revenue/faq.

Line A. Maine Property Tax Fairness Credit / Maine Sales Tax Fairness Credit for Maine residents and part-year residents only. See Schedule PTFC/STFC. Check the box on line A only if you are claiming the Property Tax Fairness Credit on line 25d and/or the Sales Tax Fairness Credit on line 25e **AND** you are completing Form 1040ME in accordance with the instructions in Step 1 of Schedule PTFC/STFC. Otherwise, leave the box blank. See the Schedule PTFC/STFC instructions for Step 1.

Note: Schedule PTFC/STFC is available at www.maine.gov/revenue/tax-return-forms or call the forms line at (207) 624-7894.

Line 1. FOR MAINE RESIDENTS ONLY. The **Maine Clean Election Fund** finances the election campaign of certified Maine Clean Election Act candidates. *Checking this box does not increase your tax or reduce your refund but reduces General Fund revenue by the same amount.*

Line 2. Check if at least two-thirds of your gross income for 2021 was from **commercial farming or fishing** as defined by the Internal Revenue Code. Include your spouse’s income in your calculation if you are filing a joint return.

Lines 3-7. Use the **filing status** from your federal income tax return. **If you filed a married filing jointly federal return and one spouse is a part-year resident, nonresident or “Safe Harbor” resident, see the Guidance Documents for Schedule NR and Schedule NRH** available at www.maine.gov/revenue/tax-return-forms (select Income Tax Guidance Documents). If you are filing married filing separately, be sure to include your spouse’s name and social security number.

For pass-through entities only:

• Check the box below line 7 if this is a **composite filing**. A composite return may be filed by a pass-through entity on behalf of nonresident owners. You must complete and enclose Schedule 1040C-ME and supporting documentation with your composite return. For more information on composite filing and forms, visit www.maine.gov/revenue.

• Check the Partnership Audit box below line 7 if you are reporting audit adjustments on Schedule 1040PA-ME. You must complete and attach Schedule 1040PA-ME, Schedule 1040C-ME if necessary, and supporting documentation with your return. See the instructions for Schedule 1040PA-ME.

Lines 8-11a. See the General Instructions above to determine your residency status. **Nonresident aliens:** check box 11 if you were a nonresident of Maine or box 11a if you were a resident of Maine during all or part of the tax year. **If you check box 8a, 9, 10, 11, or 11a, enclose a copy of your federal tax return.**

Schedules NR and NRH are available at www.maine.gov/revenue/tax-return-forms or call (207) 624-7894 to order.

Line 13. Personal exemptions. Enter “1” if filing single, head of household, qualifying widow(er) or married filing separately. Except, enter “2” if you are married, not filing a joint return, and would claim a federal personal exemption deduction for your spouse if not for the temporary suspension of the federal personal exemption deduction. Enter “2” if

married filing jointly. Except, enter "0" if you (or, if married filing jointly, both you and your spouse) may be claimed as a dependent on another person's return. If you are married filing jointly and only one spouse may be claimed as a dependent on another person's return, enter "1."

Line 13a. Enter the number of qualifying children and dependents for whom you are able to claim the federal child tax credit or the credit for other dependents (from federal Form 1040 or Form 1040-SR, "Dependents," columns (1) through (4)). Also see Form 1040ME, Schedule A, line 8.

Line 14. Enter the **federal adjusted gross income** shown on your federal Form 1040, line 11 or Form 1040-SR, line 11. **Note:** If you are filing Form 1040ME in accordance with the Step 1 instructions for Schedule PTFC/STFC and check the box on line A, skip line 14.

Line 15a. Income Addition Modifications. Complete Maine Schedule 1A to calculate your entry for this line.

Line 15b. Income Subtraction Modifications. Complete Maine Schedule 1S to calculate your entry for this line.

Part-year residents, Nonresidents and "Safe Harbor" residents, see Schedule NR or NRH. Note: If you are filing Form 1040ME in accordance with the Step 1 instructions for Schedule PTFC/STFC and check the box on line A, skip lines 15a and 15b.

Line 17. Deduction. CAUTION: If the amount on Form 1040ME, line 16 is more than \$83,850 if single or married filing separately; \$125,750 if head of household; or \$167,700 if married filing jointly or qualifying widow(er), you must complete the Worksheet for Standard/Itemized Deductions below to calculate your deduction amount for line 17.

If your income does not exceed the amount for your filing status and you use the standard deduction on your federal return, enter the amount from federal Form 1040, line 12a or Form 1040-SR, line 12a for your filing status.

If you itemized deductions on your federal return, complete Form 1040ME, Schedule 2. If the amount on Schedule 2, line 7 is less than your allowable standard deduction, use the standard deduction, **except**, if you are filing as a nonresident alien, you must use itemized deductions.

Worksheet for Standard / Itemized Deductions (for Form 1040ME, line 17)

Use this worksheet to calculate your standard deduction or itemized deduction if your Maine adjusted gross income for 2021 is greater than \$83,850 if single or married filing separately; \$125,750 if head of household; or \$167,700 if married filing jointly or qualifying widow(er).

- | | | |
|---|----|-------|
| 1. Enter your 2021 Maine adjusted gross income (Form 1040ME, line 16)..... | 1. | _____ |
| 2. Enter \$83,850 if single or married filing separately; \$125,750 if head of household; or \$167,700 if married filing jointly or qualifying widow(er)..... | 2. | _____ |
| 3. Subtract line 2 from line 1. If zero or less, STOP here. Your deduction is not limited..... | 3. | _____ |
| 4. Enter \$75,000 if single or married filing separately; \$112,500 if head of household; or \$150,000 if married filing jointly or qualifying widow(er)..... | 4. | _____ |
| 5. Divide line 3 by line 4. If one or more, enter 1.0000..... | 5. | _____ |
| 6. Enter your 2021 standard deduction. (See federal Form 1040, line 12a or Form 1040-SR, line 12a) <u>or</u> your 2021 Maine itemized deductions from Form 1040ME, Schedule 2, line 7, whichever applies..... | 6. | _____ |
| 7. Multiply line 6 by line 5..... | 7. | _____ |
| 8. 2021 Maine itemized deductions or standard deduction. Subtract line 7 from line 6. Enter this amount on Form 1040ME, line 17..... | 8. | _____ |

Line 18. Exemption. Multiply the amount shown on line 13 by \$4,300. **CAUTION:** If the amount on Form 1040ME, line 16 is more than \$279,500 if filing single; \$307,450 if head of household; \$335,400 if married filing

jointly or qualifying widow(er); or \$167,700 if married filing separately, you must complete the Worksheet for Phaseout of Personal Exemption Deduction Amount below to calculate your exemption amount for line 18.

Worksheet for Phaseout of Personal Exemption Deduction Amount (for Form 1040ME, line 18)

Use this worksheet to calculate your personal exemption amount if your Maine adjusted gross income for 2021 is greater than \$279,500 if single; \$307,450 if head of household; \$335,400 if married filing jointly or qualifying widow(er); or \$167,700 if married filing separately.

- | | | |
|---|----|-------|
| 1. Enter your 2021 Maine adjusted gross income (Form 1040ME, line 16)..... | 1. | _____ |
| 2. Enter \$279,500 if single; \$307,450 if head of household; \$335,400 if married filing jointly or qualifying widow(er), or \$167,700 if married filing separately..... | 2. | _____ |
| 3. Subtract line 2 from line 1. If zero or less, STOP here. Your personal exemption deduction amount is not limited... .. | 3. | _____ |
| 4. Enter \$125,000 if single or head of household or married filing jointly or qualifying widow(er); \$62,500 if married filing separately..... | 4. | _____ |
| 5. Divide line 3 by line 4. If one or more, enter 1.0000..... | 5. | _____ |
| 6. Enter the 2021 personal exemption deduction amount (multiply the amount on Form 1040ME, line 13 by \$4,300)..... | 6. | _____ |
| 7. Multiply line 6 by line 5..... | 7. | _____ |
| 8. 2021 Maine personal exemption deduction amount. Subtract line 7 from line 6. Enter this amount on Form 1040ME, line 18..... | 8. | _____ |

Line 20a. Enter the amount of credits previously used to reduce Maine income tax that are now subject to recapture. Enclose supporting documentation or applicable worksheet(s) to show the calculation of the amount entered on this line.

Also enter on this line the additional tax due resulting from a partnership audit from Schedule 1040PA-ME, line 6.

Line 21. Note: Schedules NR and NRH are available at www.maine.gov/revenue/tax-return-forms or call the forms line at (207) 624-7894.

Line 24. Subtract line 23 from line 22. **Nonresidents and “Safe Harbor” Residents only: Note that unused business credits claimed on Schedule A, lines 14 through 20 may be eligible to be carried over to future tax years. See the instructions for Maine Schedule A.**

Line 25a. Enter the total amount of **Maine income tax withheld**. Enclose (**do not staple or tape**) supporting W-2, 1099 and 1099ME forms. Unless the 1099 form is required as supporting documentation for another schedule or worksheet, send 1099 forms only if there is State of Maine income tax withheld shown on them.

Line 25b. Enter the total amount of Maine estimated tax paid for tax year 2021. Also include on this line extension payments and amounts withheld for 2021 on the **sale of real estate in Maine** (enclose a copy of Form REW-1 to support your entry). If you are filing an amended return, include amounts paid with your original, or previously adjusted return, including use tax, voluntary contributions and estimated tax penalty amounts.

Line 25d. For Maine residents and part-year residents only. Enter the amount from Schedule PTFC/STFC, line 12.

Line 25e. For Maine residents and part-year residents only. Enter the amount from Schedule PTFC/STFC, line 13 or line 13a, whichever applies.

Line 26. If you are filing an **amended** return, include any carryforward or refund amount allowed on the original, or previously adjusted return.

Line 29. If the amount on line 27 is a negative amount, treat it as a positive amount and add it to the amount on line 24.

Note: For purposes of calculating Form 1040ME, lines 28 and 29, any negative amount entered on Form 1040ME, line 24 should be treated as zero.

Line 30. If you purchased items for use in Maine from retailers who did not collect the Maine sales tax (such as businesses in other states or countries and unregistered mail order and internet sellers), you may owe **Maine use tax** on those items. The tax rate for purchases in 2021 is 5.5%. If you paid another state’s sales or use tax on any purchase, that amount may be credited against the Maine use tax due on that purchase. If you do not know the exact amount of Maine use tax that you owe, multiply your Maine adjusted gross income from line 16 by .04% (.0004).

Note: For items that cost \$1,000 or more, you must add the tax on those items to the percentage amount. Use tax on items that cost more than \$5,000 **must** be reported on an individual use tax return by the 15th day of the month following its purchase. For additional information, visit www.maine.gov/revenue/taxes/sales-use-service-provider-tax or call (207) 624-9693.

Line 30a. If you collected \$2,000 or less in **sales tax on casual rentals of living quarters**, you may report the tax on this line. Enter the amount of tax collected on rentals made in 2021 not already reported on a sales tax return. The tax rate on casual rentals occurring during 2021 is 9%.

Note: To report sales tax greater than \$2,000, you must file a sales/use tax return at <https://portal.maine.gov/salestax>. If you do not have internet access, call (207) 624-9693 for assistance.

Line 33b. Refunds of \$1.00 or more will be issued to you.

Lines 33c-33e. To comply with banking rules, you must check the box to the left of line 33d if your refund is going to an account outside the United States.

If you check the box, we will mail you a paper check. The account to receive the direct deposit must be in your name. If you are married, the account can be in either spouse's name or both spouses' names. **Note** that some banks will not allow a joint refund to be deposited into an individual account.

Line 33c. Routing Number (“RTN”) must be 9 digits.

Line 33d. Bank Account Number can be up to 17 characters (both numbers and letters). Omit hyphens, spaces and special symbols. Enter the number from left to right.

Line 34b. Underpayment Penalty. If line 24 less the sum of lines 25a, 25c, 25d, 25e, and REW amounts included in line 25b is \$1,000 or more, use Form 2210ME to see if you owe an underpayment of estimated tax penalty. Form 2210ME is available at www.maine.gov/revenue/tax-return-forms or call (207) 624-7894.

Line 34c. Total Amount Due. Do not send cash. If you owe less than \$1.00, do not pay it. Remit your payment using Maine EZ Pay at <https://portal.maine.gov/ezpay> or enclose (**do not staple or tape**) a check or money order payable to Treasurer, State of Maine with your return. Include your complete name, address and telephone number on your check or money order.

Third Party Designee. Complete this section if you would like to allow Maine Revenue Services to call or accept information from another person to discuss your 2021 Maine individual income tax return. Choose any 5-digit PIN which will be used to ensure MRS employees speak with only the individual you have designated. This authorization will automatically end on April 18, 2023.

Payment Plan. Check the box below your signature(s) if you are requesting a payment plan. Your first payment should be submitted with your return and you should continue to make payments until Maine Revenue Services contacts you. For more information, call (207) 621-4300 or email compliance.tax@maine.gov.

Injured or Innocent Spouse. Check the box below your signature(s) if you are an injured or innocent spouse for a Maine Revenue Services **income tax debt only**. (See federal Form 8379 or Form 8857 and related instructions.) If you have a married joint refund which may be set off to a State agency including DHHS, you must submit your claim form directly to that agency. For more information, call (207) 624-9595 or email compliance.tax@maine.gov.

SCHEDULE 1A — INCOME ADDITION MODIFICATIONS - See page 19

For more information on Maine income modifications, visit www.maine.gov/revenue/tax-return-forms.

Also include the taxpayer’s distributive share of addition modification items from partnerships, S corporations and other pass-through entities.

Line 1. Enter the **income from municipal and state bonds, other than Maine**, that is not included in your federal adjusted gross income (i.e., enter bond interest from City of New York but not Portland, Maine). 36 M.R.S. § 5122(1)(A).

Line 2. Net operating loss recovery adjustment. Enter on this line any amount of federal net operating loss carry forward that has been previously used to offset Maine addition modifications. For more information, go to www.maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*). 36 M.R.S. § 5122(1)(H).

Line 3. Enter 2021 **Maine Public Employees Retirement System contributions**. See your Maine state or municipal W-2 form. 36 M.R.S. § 5122(1)(G).

Lines 4 and 5. Bonus depreciation add-back. Lines 4 and 5 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 2021.

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 2021 is located in Maine and the Maine capital investment credit is claimed, the total addition modification must be divided between lines 4 and 5. Otherwise, the entire addition must be entered on line 4. 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/tax-return-forms (select *Income Tax Guidance Documents*). Also, refer to the instructions for Schedule 1S, line 9 below.

Line 4. 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 5. Amounts entered on this line are eligible for the recapture subtraction modification on Schedule 1S, line 9 in future years. 36 M.R.S. § 5122(1)(KK)(2).

Line 5. 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. 36 M.R.S. § 5122(1)(KK)(1).

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 2021. For example, if you 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.

Property that is transferred out of state or disposed of within 12 months after being placed in service in Maine is not eligible for the Maine capital investment credit. Amounts entered on this line are eligible for the recapture subtraction modification on Schedule 1S, line 9 in future years.

Line 6. Enter your share of a **fiduciary adjustment** (addition modifications) relating to income from an estate or trust (36 M.R.S. § 5122(3)). Attach a copy of your federal Schedule K-1.

Line 7. Election to recognize total gain from the sale of Maine real or tangible property – nonresidents only. Nonresident individuals may elect to recognize the entire gain from an installment sale during the

taxable year of real or tangible property located in Maine. The election may only be made on a timely filed original return and, once made, is irrevocable. Enter on this line the total gain from the sale of the Maine property that would have been included in your federal adjusted gross income if you had not reported the gain on the installment sale basis, less the amount of the gain from the sale already included in your federal adjusted gross income reported on Form 1040ME, line 14. An entry on this line constitutes an election under this paragraph. 36 M.R.S. § 5147.

Line 8. Adjustment for loss, deductions and other expenses of a pass-through entity financial institution subject to Maine franchise tax. Under Maine law, financial institutions are subject to the Maine franchise tax, regardless of how the institution is organized. This includes a financial institution organized as a pass-through entity, such as a partnership or limited liability company. Maine law provides that the income from an ownership share in a pass-through entity financial institution is not taxable income on the owner's Maine income tax return. In like manner, any loss, deduction or expense of a pass-through entity financial institution reflected in an owner's federal income is not permitted in calculating the Maine taxable income of the owner. 36 M.R.S. § 5122(1)(K).

Line 9. Wellness programs tax credit adjustment. Maine taxpayers who claim the Maine credit for wellness programs under 36 M.R.S. § 5219-FF and deducted related expenses on their federal tax return must increase Maine taxable income by the amount federal income was reduced. 36 M.R.S. § 5122(1)(EE).

Line 10. Business meals deduction add-back. The federal Consolidated Appropriations Act, 2021 temporarily removed the 50% deduction limitation on certain business meals expenses incurred after December 31, 2020. For Maine income tax purposes, business meals expenses over the 50% limitation may not be used to reduce Maine taxable income. Enter on this line the difference between the business meals deduction with no limitation used in calculating business income on your federal return and the business meals deduction calculated using the 50% limitation. 36 M.R.S. § 5122(1)(OO).

Line 11. Other. This line is reserved for future use, if needed. Do not enter an amount on this line, unless specifically instructed to do so.

SCHEDULE 1S — INCOME SUBTRACTION MODIFICATIONS - See pages 21 and 22

For more information on Maine income modifications, visit www.maine.gov/revenue/tax-return-forms.

Also include the taxpayer's distributive share of subtraction modification items from partnerships, S corporations and other pass-through entities. If you are a resident of Maine and have income taxed by another state, you may be eligible for the Credit for Income Tax Paid to Other Jurisdictions. See Form 1040ME, Schedule A, line 12.

Line 1. If included in federal adjusted gross income, enter **income from direct obligations of the U.S. Government**, such as Series EE and Series HH Savings bonds and U.S. Treasury bills and notes. 36 M.R.S. § 5122(2)(A).

Line 2. Enter the amount of any **state or local income tax refund** included on federal Form 1040 or 1040-SR, Schedule 1, line 1. 36 M.R.S. § 5122(2)(F).

Line 3. If included in federal adjusted gross income, enter the taxable amount of **social security benefits** issued by the U.S. Government and **railroad retirement benefits (tier 1 and tier 2)** and **unemployment and sick benefits** issued by the U.S. Railroad Retirement Board. 36 M.R.S. § 5122(2)(C).

Line 4. Enter the **pension income deduction** from the Worksheet for Pension Income Deduction, line 7. Include copies of your 1099 forms to verify the subtraction. 36 M.R.S. § 5122(2)(M-2).

Line 5. Non-Maine active duty military pay received by a Maine resident and military compensation received by a nonresident of Maine. 36 M.R.S. § 5122(2)(LL).

Maine residents - If included in federal adjusted gross income and not otherwise removed from Maine income, enter the amount of military pay earned during the portion of the taxable year that you were a Maine resident for service performed outside of Maine in compliance with written military orders.

Military pay is compensation for: (1) 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) 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. **Note:** A "federal operational mission" is limited to activity in support of overseas deployment and excludes standard duty activity, such as training and administrative activities.

Nonresidents - If included in federal adjusted gross income and not otherwise removed from Maine income, enter the amount of military compensation received during the portion of the taxable year that you were a nonresident of Maine. 36 M.R.S. § 5142(7).

Line 6. 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 1S, line 4. 36 M.R.S. § 5122(2)(HH).

Line 7. Use this line only if you retired after 1988 and are receiving retirement benefits from the **Maine Public Employees Retirement System (MainePERS)**. Subtract the amount in box 16 from the amount in box 2a on Form 1099-R issued by MainePERS. Also enter on this line MainePERS rollover amounts previously taxed by the state, whether or not included in federal adjusted gross income. Rollover amounts may be subtracted fully or in part during the tax year of the rollover. Any amount not subtracted in the tax year of the rollover may be subtracted within the two years immediately following the year of the rollover. However, the total amount subtracted over the three-year period may not exceed the pick-up contributions previously taxed by Maine. 36 M.R.S. § 5122(2)(E).

Line 8. Enter your share of a **fiduciary adjustment** (subtraction modifications) relating to income from an estate or trust (36 M.R.S. § 5122(3)). Attach a copy of your federal Schedule K-1.

Line 9. Bonus Depreciation and Section 179 Recapture amounts required to be added to income under 36 M.R.S. §§ 5122(1)(N), 5122(1)(AA), 5122(1)(FF)(2), 5122(1)(HH)(2), 5122(1)(II)(2), 5122(1)(KK)(2), and for property placed in service during tax years beginning on or after January 1, 2020, 5122(1)(KK)(1) or, for individual owners of certain electing S corporations, §§ 5200-A(1)(N), 5200-A(1)(T), 5200-A(1)(Y)(2), 5200-A(1)(AA)(2), 5200-A(1)(BB)(2), 5200-A(1)(CC)(2), and for property placed in service during tax years beginning on or after January 1, 2020, 5200-A(1)(CC)(1) may be recaptured over the life of the applicable asset. For more information and examples, visit www.maine.gov/revenue/tax-return-forms (select *Income Tax Guidance Documents*).

Line 10. Enter the amount of **medical marijuana business expenses** related to carrying on a trade or business as a registered caregiver or a registered dispensary allowable for Maine tax purposes to the extent the expenses were not allowed to be deducted for federal tax purposes under Internal Revenue Code, Section 280E. Also enter your registration number or business sales tax number. Enclose a copy of a pro forma federal Schedule C or pro forma federal Form 1065 or 1120S, including Schedules K and K-1, showing the calculation of the expenses included on this line. 36 M.R.S. § 5122(2)(PP).

Line 11. 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.

Also include on this line the amount of NOL carryforward resulting from excess business losses not allowed to be claimed for Maine tax purposes for tax years beginning in 2018, 2019, or 2020 to the extent the amount does not reduce Maine taxable income to less than zero, has not been previously used to offset Maine taxable income, and is not included in the calculation of any NOL carryback or carryforward for federal tax purposes.

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/tax-return-forms (select *Income Tax Guidance Documents*). 36 M.R.S. §§ 5122(2)(H), 5122(2)(P), 5122(2)(V), 5122(2)(W), 5122(2)(CC), and 5122(2)(UU).

Line 12. Student loan payments made by employers. If you are a qualified employee for purposes of the educational opportunity tax credit program, enter on this line the amount of qualified 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 include amounts not paid by your employer directly to the lender. Do not include amounts paid that exceed the monthly loan amount that was due (see the Worksheet for Educational Opportunity Tax Credit). **Note:** You may claim this deduction only if you received an associate or bachelor's degree after 2007 or a graduate's degree after 2015 and only with respect to loan payments made during that part of the tax year you were a qualified employee. A qualified employee is a qualified individual (generally, one who has met the graduation requirements of the program, is a Maine resident and who worked for an employer in Maine). See the Worksheet for Educational Opportunity Tax Credit available at www.maine.gov/revenue/tax-return-forms for more information. 36 M.R.S. § 5122(2)(FF).

Line 13. Qualified health care student loan payments. A qualified health care employee (generally, an individual who is licensed as a registered nurse, practical nurse, osteopathic physician, or to practice medicine or surgery and is employed by a hospital in Maine) may claim, to the extent included in the employee's federal adjusted gross income, the income subtraction modification for student loan payments made by an employer directly to the lender. The modification may not be claimed for any loan payment amounts subtracted on Form 1040ME, Schedule 1S, line 12. 36 M.R.S. § 5122(2)(SS).

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 \$1,000 (or, if greater, 100 times the state minimum hourly wage) 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 this line the amount of volunteer benefits you received, up to the maximum allowed, to the extent included in federal adjusted gross income. 36 M.R.S. §§ 5122(2)(EE) and 6232(1-A).

Line 15. 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 University of Maine. 20-A M.R.S. § 10983(4).

Line 16. Earnings on funds held in an ABLÉ savings account. Enter on this line the amount equal to any ABLÉ savings account income, such as interest, that is included in federal adjusted gross income. 36 M.R.S. § 5122(2)(QQ).

Line 17. Interest from Maine Municipal General Obligation Bonds, Private Activity Bonds, and Airport Authority Bonds. If included in federal adjusted gross income, enter interest from Maine municipal general obligation bonds, private activity bonds, and bonds issued by a Maine airport authority.

Line 18. 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 19. 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 20. 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 this line 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 21. 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 22. 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 23. 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 (MSHA). A copy of the MSHA certificate must be attached to the return. 36 M.R.S. § 5122(2)(Z).

Line 24. 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 25. Sale of eligible timberlands. A subtraction modification is allowed on the Maine individual income tax return equal to the applicable percentage of the gain from the sale of sustainably managed, eligible timberlands that is included in federal adjusted gross income. Eligible

timberlands must be held by the taxpayer for at least 10 years beginning on or after January 1, 2005. Enclose with your return a copy of the written statement from a licensed forester certifying at the time of sale, the sustainably managed eligible timberlands. Use lines 1) through 3) below to calculate the amount of the modification. 36 M.R.S. § 5122(2)(U).

1) Enter the gain recognized on the sale of eligible timberlands included in federal adjusted gross income\$ _____

2) Enter the applicable percentage amount shown below for the number of years the eligible timberlands were held by the taxpayer beginning on or after January 1, 2005..... _____

If the number of years eligible timberlands were held by the taxpayer since January 1, 2005 is:

<u>At least</u>	<u>But less than</u>	<u>Enter</u>
10	11	.0667
11	12	.1333
12	13	.2
13	14	.2667
14	15	.3333
15	16	.4
16	17	.4667

3) Multiply line 1 by line 2. Enter result on Schedule 1S, line 25.....\$ _____

Line 26. 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. § 5122(2)(KK).

Line 27. Business interest deduction recapture. The amount of business interest deduction previously disallowed for Maine tax purposes and required to be added-back under 36 M.R.S. § 5122(1)(NN) may be recaptured, up to 25% per taxable year, to the extent that Maine taxable income is not reduced below zero and the amount has not been previously used to reduce Maine taxable income. 36 M.R.S. § 5122(2)(VV).

Line 28. Other. See the 2021 Worksheet for Form 1040ME, Schedule 1S, line 28, Income Subtraction Modifications - Other Subtractions available at www.maine.gov/revenue/tax-return-forms that lists the income subtraction modifications that may be entered on this line. Unless specifically stated, do **not** enter non-Maine income on this line.

Tax Credit Worksheets Required. For more information on all tax credits and related worksheets, visit www.maine.gov/revenue/tax-return-forms (select Worksheets for Tax Credits) or call (207) 626-8475. **You must complete and attach the applicable tax credit worksheet for each tax credit claimed.**

SECTION 1 - REFUNDABLE CREDITS:

Line 1. Refundable portion of the Child Care Credit. For Maine residents and part-year residents only. Up to \$500 of your Child Care Credit is refundable. Enter the amount from line 5, or line 5a, of the worksheet for Child Care Credit. Enclose worksheet.

Line 2. Refundable portion of the Adult Dependent Care Credit. Up to \$500 of your credit may be refundable. Enter the amount from line 7, or line 7a, of the worksheet for Adult Dependent Care Credit. Enclose worksheet.

Line 3. Refundable Earned Income Tax Credit. For Maine residents and part-year residents only. Your Maine earned income tax credit is refundable. Enter the amount from line 3 or 4 of the worksheet for Earned Income Tax Credit, whichever is applicable. **Taxpayers at least age 18:** If you or your spouse (if married filing a joint return) was at least age 18 as of the last day of the tax year, had no qualifying child(ren) during the tax year, and would have otherwise qualified for the federal earned income credit (EIC), you may be able to claim the Maine earned income tax credit even if you were not eligible to claim the federal credit. **Taxpayers filing with an IRS issued individual taxpayer identification number (ITIN):** If you or your spouse (if married filing a joint return) filed a federal income tax return using an ITIN assigned by the IRS on or before the due date for filing the return, and would have otherwise qualified for the federal EIC, you may be able to claim the Maine earned income tax credit even if you were not eligible to claim the federal credit. To determine if you can claim the Maine earned income tax credit, see the Earned Income Tax Credit Worksheet available at www.maine.gov/revenue/tax-return-forms. Enclose worksheet.

Line 4. Refundable Credit for Educational Opportunity. Graduates of accredited colleges and universities who have obtained a bachelor's degree in science, technology, engineering or mathematics or an associate degree may qualify for a refundable credit based on certain loan payments made in 2021. Enclose worksheet.

Line 5. Rehabilitation of historic properties after 2007. If you have qualified rehabilitation expenditures associated with a historic structure located in Maine that is placed in service during the tax year, you may qualify for this credit. Enclose worksheet.

Line 6. Other Refundable Tax Credits. Enter on this line: ● Credit for Affordable Housing ● New Markets Capital Investment Credit ● Centralized Partnership Audit Adjustments. Enclose applicable worksheet(s).

SECTION 2 - NONREFUNDABLE CREDITS:

Line 8. Dependent Exemption Tax Credit. Multiply the amount shown on line 13a by \$300. **CAUTION:** Your credit may be limited if the amount on Form 1040ME, line 16 is more than \$200,000 (\$400,000 if married filing jointly) OR if you are a nonresident or part-year resident. Complete the Worksheet for Dependent Exemption Tax Credit. Enclose worksheet.

Line 9. Nonrefundable portion of the Child Care Credit. Enter the amount from line 6, or line 6a, of the worksheet for Child Care Credit. Enclose worksheet.

Line 10. Nonrefundable portion of the Adult Dependent Care Credit. Enter the amount from line 8, or line 8a, of the worksheet for Adult Dependent Care Credit. Enclose worksheet.

Line 11. Nonrefundable Earned Income Tax Credit. For nonresidents only. See the instructions for line 3 above. Enter the amount from line 4 of the worksheet for Earned Income Tax Credit. Enclose worksheet.

Line 12. Credit for Income Tax Paid to Other Jurisdictions. Enter the amount from line 5 of the worksheet for Credit for Income Tax Paid to Other Jurisdictions. Enclose worksheet(s).

Line 13. Nonrefundable Credit for Educational Opportunity. Graduates of accredited colleges and universities (or employers of qualified graduates) may qualify for a credit based on certain loan payments made in 2021. Enclose worksheet.

Line 14. Maine Seed Capital Credit. If you invested in a qualified Maine business of which you are not a principal owner, you may qualify for a credit through the Finance Authority of Maine. Enclose worksheet.

Line 15. Maine Capital Investment Credit. If your business placed depreciable property in service in Maine for which federal bonus depreciation was claimed, you may qualify for this credit. Enclose worksheet.

Line 16. Research Expense Tax Credit. If your business invested in research, you may qualify for this credit for your portion of the expenses. Enclose worksheet.

Line 17. Carryforward of Certain Credits. Enter on this line unused portions of the following credits carried forward from prior years: ● Super Credit for Substantially Increased Research and Development ● Maine Minimum Tax Credit ● Jobs and Investment Tax Credit ● Employer credits for payment of employee expenses (long-term care insurance, day care expenses) ● "Step 4" Quality Child Care Investment Tax Credit. Enclose worksheet(s) or supporting documentation for each credit claimed.

Line 18. Pine Tree Development Zone Credits. If you expanded your business in Maine, you may qualify for this credit certified through the Department of Economic and Community Development. Enclose worksheet.

Line 19. Employer Credit for Family and Medical Leave. Enter the amount claimed for the federal credit for employer-paid family and medical leave under Internal Revenue Code, Section 45S as a result of wages paid to employees based in Maine during the taxable year. Enclose the Maine credit worksheet.

Line 20. Other Nonrefundable Tax Credits. Enter on this line: ● Credit for Certain Homestead Modifications (AccessAble Home Tax Credit) ● Credit for Disability Income Protection Plans in the Workplace ● Certified Visual Media Production Credit ● Wellness Programs Credit ● Dental Care Access Credit ● Primary Care Access Credit ● Dual Residence Tax Credit ● Biofuel Production Tax Credit ● Renewable Chemicals Tax Credit. Enclose applicable worksheet(s).

Nonresidents and "Safe Harbor" Residents only: Personal credits (Form 1040ME, Schedule A, lines 1, 2, 3, 4, 8, 9, 10, 11, 12, and 13) are limited to the Maine residency period or prorated based on the ratio of Maine income to total income. Business tax credits on Form 1040ME, Schedule A, lines 14 through 20 may be claimed in their entirety, up to the Maine tax liability. Carryover provisions may apply.

PROPERTY TAX FAIRNESS CREDIT

(Form 1040ME, line 25d)

You may qualify for a **refundable** Property Tax Fairness Credit up to \$1,000 (\$1,500 if you are 65 years of age or older) if you meet all of the following:

- You were a Maine resident during any part of the tax year;
- You owned or rented a home in Maine during any part of the tax year and lived in that home as your principal residence during the year;
- Your total income during 2021 was less than the amount shown in the table below for your filing status and the number of qualifying children and dependents on Form 1040ME, line 13a:

If your Filing Status is: ↓	Form 1040ME, line 13a is:		
	AND 0	OR 1	OR more than 1
Your income must be less than:			
Single	\$42,000	\$42,000	\$42,000
Head of Household	\$55,000	\$55,000	\$68,000
Married filing Jointly or Qualifying Widow(er)	\$55,000	\$68,000	\$68,000

- You paid property tax on your home (principal residence) in Maine during the tax year that is greater than 5% of your total income or you paid rent on your home (principal residence) in Maine during the tax year that is greater than 33.33% of your total income. **Note** that the amount of property tax or rent you can include may be limited. See line 7 on Schedule PTFC/STFC.
- Your filing status is single, head of household, married filing jointly, or qualifying widow(er).

Note that you cannot take the Property Tax Fairness Credit if your filing status is married filing separately.

See Schedule PTFC/STFC for more information.

SALES TAX FAIRNESS CREDIT

(Form 1040ME, line 25e)

You may qualify for a **refundable** Sales Tax Fairness Credit up to \$235, depending on the number of qualifying children and dependents on Form 1040ME, line 13a, if you meet all of the following:

- You were a Maine resident during any part of the tax year;
- Your total income during 2021 was not more than \$27,350 if filing single; \$43,250 if filing head of household; or, \$53,700 if married filing jointly;
- Your filing status is single, head of household, married filing jointly, or qualifying widow(er).

Note that you cannot take the Sales Tax Fairness Credit if your filing status is married filing separately or if you are claimed as a dependent on another person's return.

See Schedule PTFC/STFC for more information.

2021 Tax Year Quick Facts

- Maine personal exemption amount: \$4,300.
- Maine standard deduction base amounts:
 - \$12,550 single or married filing separately;
 - \$18,800 head of household;
 - \$25,100 married filing jointly or qualifying widow(er).
- Maine itemized deductions are limited to \$30,400, except medical expenses are not subject to the limit.
 - Use Form 1040ME, **Schedule 2** to claim Maine itemized deductions.
- To report income that is taxable in Maine but not by the federal government (**income addition modifications**), use Form 1040ME, **Schedule 1A**. To report income that is taxable by the federal government but not in Maine (**income subtraction modifications**), use Form 1040ME, **Schedule 1S**.
- Property Tax Fairness Credit maximum income limitation: \$42,000 if single; \$68,000 if head of household or married filing jointly or qualifying widow(er). See Schedule PTFC/STFC for more information. Married taxpayers filing separate tax returns do not qualify for the credit.
- Sales Tax Fairness Credit maximum income limitation: \$27,350 single; \$43,250 head of household; or, \$53,700 married filing jointly or qualifying widow(er). See Schedule PTFC/STFC for more information. Married taxpayers filing separate tax returns do not qualify for the credit.
- Child and dependent care credit is refundable for Maine residents and part-year residents, up to \$500.
- Adult dependent care credit is refundable for Maine residents and part-year residents, up to \$500.
- Earned income tax credit is refundable for Maine residents and part-year residents.
- Dependent exemption tax credit, up to \$300 for each qualifying child or dependent, subject to phaseout.
- Educational opportunity tax credit may be available if you obtained an associate degree or bachelor's degree in Maine after 2007 or from a Maine or non-Maine college after 2015 or a graduate degree from a Maine college after 2015 and you have outstanding educational loans for that degree.

2021 MAINE INCOME TAX TABLE

Table with columns for 'If Line 19 Form 1040ME is:', 'And Your Filing Status is:', and 'Your Tax is:'. It includes tax rate schedules for Single, Unmarried/Legally Separated, and Married/Surviving Spouses.

*This column must also be used by a surviving spouse with dependent child.