WHO MUST FILE
The fiduciary or trustee of a resident or nonresident estate or trust, including a trust with unrelated business income reported on federal Form 990-T, must file Form 1041ME if the estate or trust has any:

- Maine taxable income greater than zero (federal taxable income plus or minus the fiduciary adjustment); or
- Gross income of $10,000 or more for the taxable year (resident estate or trust) or both distributable net income derived from or connected with sources in this state and gross income of $10,000 or more for the taxable year (nonresident estate or trust).

Gross income equals the amount on federal Form 1041, line 9 or federal Form 990-T, line 1. The Maine-source income of a nonresident estate or trust is determined on Form 1041ME, Schedule NR. A resident estate or trust with nonresident or "Safe Harbor" resident beneficiaries must also complete Form 1041ME, Schedule NR. See the instructions for Schedule NR. See page 3 of the Maine individual income tax booklet for a description of nonresident and "Safe Harbor" resident.

Note: Grantor Trusts and all Charitable Remainder Trusts are not required to file a Maine return.

FEDERAL RETURN REQUIRED
- A completed copy of federal Form 1041 must accompany the Maine nonresident return.
- If the federal income (federal Form 1041, line 9) is greater than $150,000, you must include the entire federal Form 1041 with Form 1041ME. For other returns that have a capital gain or loss, attach pages 1 through 3 and Schedule D of the federal return.

DEFINITION OF RESIDENT AND NONRESIDENT ESTATE OR TRUST
A resident estate is the estate of a decedent who at death was domiciled in Maine. A resident testamentary trust is a trust which is created by the last will and testament of a decedent who at death was domiciled in Maine. Any estate or testamentary trust created by the will of a decedent who was not domiciled in the State of Maine at death shall be considered a nonresident estate or nonresident testamentary trust.

A resident irrevocable inter vivos trust is a trust which was created by or consisted of property of a person domiciled in Maine at the time it was funded. An irrevocable inter vivos trust will be classified as a nonresident trust if the creator of the trust is not domiciled in Maine when funded.

If the settlor of a revocable inter vivos trust is domiciled in Maine when the trust is created, the trust is considered a resident inter vivos trust until the settlor becomes domiciled in another state. A nonresident revocable inter vivos trust will become a resident trust if and when the creator of the trust becomes domiciled in Maine.

QUALIFIED FUNERAL TRUST (QFT)
If you meet the criteria of a qualified funeral trust at the federal level, you can file using the same status for Maine purposes. Check the box for “Qualified Funeral Trust” on page 1 of Form 1041ME and enter the required federal QFT taxpayer identification number (EIN) in the space provided (in the upper right corner of the return). For a Maine composite return, attach a schedule listing for each beneficiary: Maine taxable income, Maine income tax, name, social security number and whether or not the beneficiary is a resident of Maine. Since each beneficiary is considered a separate trust, Maine income tax must be calculated separately for each beneficiary. The total tax for all beneficiaries is then entered on line 4 of Form 1041ME.

BANKRUPTCY
For bankruptcy estates (chapter 7 or 11), use Form 1041ME as a transmittal for Form 1040ME. In the top margin of Form 1040ME, write “Attachment to Form 1041ME. DO NOT DETACH.” Complete the name, address, and identification information at the top of Form 1041ME. Then complete Form 1040ME through line 24. Enter the amount from Form 1040ME, line 24 on line 4 of Form 1041ME, then follow the instructions for completing lines 5 - 10 on Form 1041ME.

WHEN TO FILE
The due date is April 19, 2022. For fiscal year filers, the due date is the 15th day of the fourth month following the close of the taxable year.

EXTENSIONS
A State of Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic extension equal to any federal extension or 6 months, whichever is the longer period of time. Caution: An extension to file your Maine return is not an extension for payment of tax. If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax. Any remaining tax must be paid when the return is filed by the extended due date in order to avoid the failure-to-pay penalty. Interest is charged on any tax paid after the original due date of the return.

Remit your extension payment with the payment voucher by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9101, Augusta, ME 04332-9101.

INTEREST AND PENALTIES
Interest will be added each month on overdue tax until the entire tax amount is paid. For calendar year 2022, the interest rate is 5% per year, compounded monthly. In addition to interest, a penalty is assessed for late filing. A separate penalty is assessed for the late payment of tax. The penalty for late filing is $25 or 10% of the tax due, whichever is greater. If a tax return is not filed upon demand, the penalty is the greater of $25 or 25% of the tax due. The penalty for late payment of the tax is 1% per month up to a maximum of 25%. Both penalties are assessed when the return is filed late and the tax is paid late. The law also provides for penalties for the underpayment of estimated tax, for preparing or filing a fraudulent income tax return, and for the understatement of income.

WHOLE DOLLAR AMOUNTS
Show money items as whole dollar amounts. 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.

ACCOUNTING PERIODS AND METHODS
The accounting period and the method of accounting used are the same as those used for federal tax purposes (for more information, see instructions for federal Form 1041). If the taxable year or method of accounting is changed for federal income tax purposes, the change also applies to the Maine return.

REPORT OF CHANGE IN MAINE TAXABLE INCOME
If the amount of the federal taxable income is changed or corrected by the Internal Revenue Service, or if the Maine tax liability changes for any other reason, the fiduciary must report the changes on an amended Maine return within 180 days after the final determination of the change. Any fiduciary filing an amended federal income tax return must also file an amended Maine return within 180 days.
Failure to comply with these requirements could result in failure-to-file and failure-to-pay penalties. To file an amended return, use Form 1041ME for the year(s) you are amending and check the "amended return" box at the top of the form. Attach a statement explaining the applicable changes and a copy of your federal amended return or Internal Revenue agent's report to the Maine amended return.

**PAYMENT OF ESTIMATED TAX**

Estates and trusts subject to Maine income tax are required to make installment payments of estimated tax if the estimated tax liability is $1,000 or more or an unusual event has occurred. Generally, payments must be made in four equal installments due April 19, June 15, September 15, and January 18. Payments can be made electronically using Maine EZ Pay (no forms required) at www.maine.gov/revenue or download Form 1041ES-ME (and the instructions for Form 1040ES-ME) at www.maine.gov/revenue/tax-return-forms or call (207) 624-7894 to order the forms.

Note: Maine’s estate/trust estimated tax filing requirements differ from federal requirements in that Maine Form 1041ME estimate payments must be made after the first year filing. 36 M.R.S. § 5228.

**THIRD PARTY DESIGNEE**

Check the “Yes” box on page 2 of Form 1041ME to allow Maine Revenue Services to call or accept information from another person to discuss the return. Also enter the person’s name, phone number, and any 5-digit number the person chooses as their personal identification number (PIN). The information provided will be used to ensure MRS employees speak with only the individual you have designated if there are any questions or if additional information is needed to process the return. This authorization will automatically end on April 18, 2023.

**SIGNATURE**

Any person who prepares a taxpayer's return for compensation must also sign and enter his or her social security number or PTIN as assigned by the IRS. If the return is prepared by a firm or corporation, the federal identification number of the firm must also be listed.

**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.

For assistance with your tax questions: (207) 626-8480 - Weekdays 9:00 a.m. - 12:00 p.m. or send an email to estatetax@maine.gov or write to Maine Revenue Services, P.O. Box 1060, Augusta, ME 04332-1060.

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

Collection problems and payment plans: (207) 624-9595 - Weekdays 8:00 a.m. - 5:00 p.m. Call this number if you have a tax balance due currently being collected by Maine Revenue Services 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.

**Form 1041ME Modernized e-File (MeF)**

Maine Revenue Services offers MeF (electronic filing) for the filing of fiduciary income tax returns.

The MeF platform is web-based and utilizes a modern, scalable architecture that enables real-time processing. Vendor submissions are received by the IRS, processed, and made available to the states continuously on a submission-by-submission basis.
SPECIFIC INSTRUCTIONS

(Please show negative income amounts on your form by placing a minus sign in the box to the left of the amount.)

Nonresident estates and trusts and resident estates and trusts with nonresident or “Safe Harbor” resident beneficiaries, see the instructions for Schedule NR.

Line 1. Federal taxable income - resident estates and trusts only. Enter the amount of taxable income shown on federal Form 1041, the amount of unrelated business taxable income from federal Form 990-T and the taxable income of the S corporation portion of Electing Small Business Trusts (ESBT), if applicable.

Line 2. Fiduciary Adjustment - resident estates and trusts only. The fiduciary adjustment is determined on Form 1041ME, Schedule 1 and allocated in accordance with Form 1041ME, Schedule 2 on page 3 of Form 1041ME. If any of the income adjustments apply, complete these schedules before proceeding with page 1 of Form 1041ME. Detailed instructions for the schedules follow.

Line 4. Maine Income Tax. Compute the tax on the amount shown on line 3 by using the following table:

<table>
<thead>
<tr>
<th>TAX TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the taxable income is:</td>
</tr>
<tr>
<td>Less than $22,450</td>
</tr>
<tr>
<td>$22,450 but less than $53,150</td>
</tr>
<tr>
<td>$53,150 or more</td>
</tr>
<tr>
<td>This tax rate schedule is effective for tax years beginning in 2021.</td>
</tr>
</tbody>
</table>

Line 7a. Maine income tax withheld. Enter the total amount of Maine income tax withheld. Enclose (do not staple or tape) supporting W-2, 1099 and 1099ME forms. Send only Forms 1099 with State of Maine income tax withheld shown on them, unless otherwise required to send as supporting documentation for another schedule or worksheet. Legible photocopies of your W-2, 1099 and 1099ME forms on 8 1/2 by 11 inch paper are preferred.

Line 7b. 2021 estimated tax payments, 2020 overpayment carried forward, extension payments, and real estate withholding (REW) payments. Enter the total amount of estimated taxes paid for tax year 2021 and any 2020 credit carried forward. See general instructions above for further explanation of estimated payments. Also enter any extension payment made for this return.

Nonresident estates or trusts enter on this line amounts withheld in 2021 on the sale of real estate in Maine. Enclose a copy of Form REW-1 or Form 1099ME to support your entry.

Line 10a. Amount of line 9 to be credited to next year. Use this block only if electing to have all or a portion of the overpayment on line 9 credited to next year’s estimated tax.

Amount of refund directly deposited to a checking account. You may have the refund directly deposited into a checking account if it is $20,000 or less. To comply with banking rules, check the box to the left of line 10d if the refund is going to an account outside the United States. If the box is checked, we will mail a paper check.

Line 10c. Enter the 9-digit routing transit number (RTN). The RTN must begin with 01 through 12 or 21 through 32. If it does not, the direct deposit will be rejected and a refund check will be sent instead. ENTRIES MUST BE ACCURATE. If unsure what the RTN is, contact the financial institution.

Line 10d. Enter the checking account number. The checking account number can be up to 17 digits long (both numbers and letters). Omit hyphens, spaces and special symbols.

SCHEDULE 1 – FIDUCIARY ADJUSTMENT (Enter combined amounts for both the beneficiaries and the estate or trust).

For more information on Maine additions to and subtractions from federal taxable income, visit www.maine.gov/revenue.

Line 1a. Enter income from municipal and state bonds, other than Maine, that is not included in federal taxable income. For example: enter bond interest from the City of New York but not Portland, Maine. 36 M.R.S. § 5122(1)(A).

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

Line 1c. Enter any amount of income taxes imposed by Maine or other states to the extent deducted in calculating federal taxable income. 36 M.R.S. § 5164.

Line 1d. Enter the amount of qualified business income deducted in calculating federal taxable income pursuant to Internal Revenue Code, Section 199A. 36 M.R.S. § 5164.

Lines 1e and 1f. Bonus depreciation add-back. Lines 1e and 1f 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 1e and 1f. Otherwise, the entire addition must be entered on line 1e. 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 line 2c below.

**Line 1e. 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 1f. Amounts entered on this line are eligible for the recapture subtraction modification on line 2c in future years. 36 M.R.S. § 5122 (1)(KK)(2).

**Line 1f. 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. 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 of being placed in service in Maine is not eligible for the Maine capital investment credit. Amounts claimed on this line are eligible for the recapture subtraction modification on line 2c in future years. 36 M.R.S. § 5122 (1)(KK)(1).

**Line 1g. Election to recognize total gain from the sale of Maine real or tangible property - nonresident estates and trusts only.** Nonresident estates or trusts 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 taxable income if you had not reported the gain on the installment sale basis, less the amount of gain from the sale already included in your federal taxable income. 36 M.R.S. § 5122 (2)(E).

**Line 1h. Other Additions.** Attach supporting documentation when claiming an amount on this line. DO NOT enter items of income not listed below. Enter on this line:

- Interest or expenses incurred in the production of income exempt from Maine taxation deducted in arriving at federal taxable income.
- The administrative expense deduction claimed for federal fiduciary income tax purposes that is also used to determine the taxable estate in calculating the Maine estate tax.
- The estate's/trust's share of the fiduciary adjustment of another estate/trust – additions only (36 M.R.S. §§ 5122(3) and 5164).
- 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).
- 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).
- 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 2. SUBTRACTIONS from federal taxable income.** Also include the taxpayer’s distributive share of subtraction modification items from trusts, partnerships and S Corporations where applicable.

**Line 2a. If included in federal taxable income, enter income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds and U.S. Treasury bills and notes.**

**Line 2b. Use this line only if the person retired after 1988 and received retirement benefits from the Maine Public Employees Retirement System (“MainePERS”) in 2021.** To calculate the amount for this line, 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 taxable 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 2c. Bonus depreciation / section 179 expense 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 2d. Enter the amount of medical marijuana business expenses related to carrying on a trade or business as a registered caregiver or a registered dispensary that would otherwise be 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 the caregiver’s or dispensary’s registration number or business sales tax number. Enclose a copy of a pro forma federal Schedule C or proforma 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 2e. 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 NOLs, 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 2f. Other Subtractions. Attach supporting documentation when claiming an amount on this line. DO NOT enter items of income not listed below. Enter on this line:

- The estate’s/trust’s share of a fiduciary adjustment of another estate/trust – subtractions only (36 M.R.S. §§ 5122(3) and 5164)

- Expenses incurred in the production of income subject to Maine tax, but exempt from federal tax (an example is expenses related to the production of non-Maine municipal bond interest).

- Interest from Maine Municipal General Obligation Bonds, Private Activity Bonds, and Airport Authority Bonds. If included in federal taxable income, enter interest from Maine municipal general obligation bonds, private activity bonds, and bonds issued by a Maine airport authority. 36 M.R.S. § 5122(2)(N).

- Amount of reduction in salaries and wages expense deduction. Enter the amount equal to the reduction in 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 the estate’s/trust’s 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).

- Earnings from fishing operations. Enter the 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).

- 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 income tax. Enter on this line the amount of income from investments in the Northern Maine Transmission Corporation to the extent included in federal taxable income. 10 M.R.S. § 9205.

- 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 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 taxable income. 38 M.R.S. § 2218.

- 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 federal taxable 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).

- 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).

- 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 taxable 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).
• **Sale of eligible timberlands.** To the extent included in federal taxable income, enter the amount equal to the applicable percentage of the gain from the sale of sustainably managed, eligible timberlands. Eligible timberlands must be held by the taxpayer for at least 10 years beginning on or after January 1, 2005. Enclose with the return a copy of the written statement received 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 taxable 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:

<table>
<thead>
<tr>
<th>At least</th>
<th>But less than</th>
<th>Enter</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>11</td>
<td>.0667</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>.1333</td>
</tr>
<tr>
<td>12</td>
<td>13</td>
<td>.2</td>
</tr>
<tr>
<td>13</td>
<td>14</td>
<td>.2667</td>
</tr>
<tr>
<td>14</td>
<td>15</td>
<td>.3333</td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>.4</td>
</tr>
<tr>
<td>16</td>
<td>17</td>
<td>.4667</td>
</tr>
</tbody>
</table>

3) Multiply line 1 by line 2. Enter result on Schedule 1, line 2f................................. $ ________

• **New markets capital investment credit.** A subtraction modification is allowed on the Maine income tax return equal to any income recognized from the new markets capital investment credit that is included in federal taxable income. 36 M.R.S. § 5122(2)(KK).

• **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 3. Net Fiduciary Adjustment.** The shares of the beneficiaries and of the estate/trust in the Maine fiduciary adjustment are in proportion to their respective shares of federal distributable net income of the estate or trust. **Resident estates and trusts:** Multiply line 3 by the percentage on Schedule 2, line f, column 3. Enter the result on page 1 of Form 1041ME, line 2. **Nonresident estates and trusts:** Multiply line 3 by Schedule 2, line f, column 3. Enter the result on Form 1041ME, Schedule NR, line 7, column A.
SCHEDULE 3 – CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION

Resident estates and trusts may claim a credit against Maine income tax for income tax paid to another jurisdiction if all the following conditions are met:

(1) The other jurisdiction is another state, a political subdivision thereof, the District of Columbia, a Canadian Province or any political subdivision of a foreign country that is like a state of the United States.

(2) The tax paid to the other jurisdiction is directly related to the income received during the tax year covered by this return. Tax payments made to other taxing jurisdictions for prior year tax liabilities cannot be considered when computing this credit.

(3) The income taxed by the other jurisdiction is derived from sources in that jurisdiction determined in the same manner as Maine-source income is determined for nonresidents of Maine under 36 M.R.S. § 5142.

Line 4b is the income tax assessed by the other jurisdiction minus any tax credits (except withholding and estimated tax payments). If you have income on which you paid tax to the other jurisdiction that is not included on Schedule 3, line 2d, you must prorate the taxes paid to the other jurisdiction.

Complete a separate Schedule 3 for each jurisdiction to which taxes are paid and for which a credit is being claimed. Enclose a copy of each Schedule 3 completed. Add the credits together and enter the total on Schedule A, line 6. Attach a copy of the income tax return filed with the other jurisdiction.

SCHEDULE 2 – ALLOCATION OF FEDERAL INCOME AND MAINE-SOURCE INCOME

The purpose of this schedule is to show the distribution of federal distributable net income (DNI) and Maine-source income of nonresident and “Safe Harbor” resident beneficiaries. See page 3 of the Maine individual income tax booklet for a description of nonresident and “Safe Harbor” resident statuses. ALL estates/trusts must complete Schedule 2.

Column 1. Enter the name of each beneficiary of the estate or trust, including nonresident and “Safe Harbor” resident beneficiaries. Enter the estate/trust name on line f. If there are more than 5 beneficiaries, use a separate sheet of paper.

Column 2. Enter the respective shares of federal distributable net income of each beneficiary and of the estate/trust on the appropriate lines.

Column 3. Determine the percentage share for each beneficiary and for the estate/trust based on the amounts in column 2.

Columns 4 and 5. Enter the state of domicile and the social security number/EIN of each beneficiary of the estate or trust, including nonresident and “Safe Harbor” resident beneficiaries.

Column 6. Nonresident estates or trusts enter on line g, column 6, the amount from Schedule NR, line 4, column B. For lines a through e, allocate line g to the nonresident and “Safe Harbor” resident beneficiaries in proportion to their respective shares of federal distributable net income. The income, as allocated, has the same character as it does for federal income tax purposes.

Resident estates or trusts with nonresident and “Safe Harbor” resident beneficiaries must complete a pro forma Schedule NR (as if the estate or trust were a nonresident estate or trust) in order to complete column 6 of Schedule 2. Enter on Schedule 2, line g, column 6 the amount from Schedule NR, line 4, column B. Follow the instructions for completing Schedule NR. Attach a copy of the pro forma Schedule NR to the Maine income tax return for the estate or trust. Do not complete column 6 for resident beneficiaries (except “Safe Harbor” resident beneficiaries).

If the estate or trust has no federal distributable net income, the share of each beneficiary in the Maine-source income is in proportion to the beneficiary’s share of the estate or trust income for the taxable year, including that which is required by local law of the governing instrument to be distributed in such year. Any balance of the Maine-source income not allocable to beneficiaries shall be allocated to the estate or trust. If the shares in the Maine-source income are allocated in accordance with this paragraph, show the allocation in a schedule attached to the return.

SCHEDULE 3 – CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION

The purpose of this schedule is to show a credit for income tax paid to another jurisdiction if all the following conditions are met:

(1) The other jurisdiction is another state, a political subdivision thereof, the District of Columbia, a Canadian Province or any political subdivision of a foreign country that is like a state of the United States.

(2) The tax paid to the other jurisdiction is directly related to the income received during the tax year covered by this return. Tax payments made to other taxing jurisdictions for prior year tax liabilities cannot be considered when computing this credit.

(3) The income taxed by the other jurisdiction is derived from sources in that jurisdiction determined in the same manner as Maine-source income is determined for nonresidents of Maine under 36 M.R.S. § 5142.

Line 4b is the income tax assessed by the other jurisdiction minus any tax credits (except withholding and estimated tax payments). If you have income on which you paid tax to the other jurisdiction that is not included on Schedule 3, line 2d, you must prorate the taxes paid to the other jurisdiction.

Complete a separate Schedule 3 for each jurisdiction to which taxes are paid and for which a credit is being claimed. Enclose a copy of each Schedule 3 completed. Add the credits together and enter the total on Schedule A, line 6. Attach a copy of the income tax return filed with the other jurisdiction.