

Employee/Payee Instructions

Purpose: Complete Form W-4ME so your employer/payer can withhold the correct Maine income tax from your pay. Because your tax situation may change, you may want to recalculate your withholding each year.

Line 3. Select the marital status that applies to you. You must select the same marital status you selected on your federal Form W-4, except that married individuals have the option of withholding at the higher single rate. If you selected married filing separately on your federal Form W-4, you should select single. Nonresident aliens are required to check the single box regardless of actual marital status.

Line 4. If you qualify for one of the exemptions from Maine withholding listed on line 6, complete lines 1, 2, 3, and 6, and sign the form. Otherwise, complete the Personal Allowances Worksheet on page 1. You may claim fewer allowances than you are entitled to, but you must file a Personal Withholding Allowance Variance Certificate to obtain permission from the State Tax Assessor if you want to claim more allowances than allowed on line E above.

Exemptions from Maine withholding:

Line 6a. You may check this box if you claimed an exemption from federal withholding by checking the box in the *Exempt from withholding* section on your federal Form W-4. Do not check this box if you want Maine income taxes withheld even though you are exempt from federal withholding.

Line 6b. You may check this box if you requested that no federal withholding be withheld from your payments by checking the box in the *No withholding* section on your federal Form W-4P. Do not check this box if you want Maine income taxes withheld even though you are exempt from federal withholding.

Line 6c. You may elect this exemption if you are a resident employee receiving wages and you meet both of the following conditions:

1. You had **no** Maine income tax liability last year, **and**
2. You reasonably expect to have **no** Maine income tax liability this year.

This exemption will expire at the end of the year and you must complete a new Form W-4ME for next year or you will be subject to Maine withholding at the maximum rate.

Line 6d. You may elect this exemption if you receive periodic retirement payments pursuant to Internal Revenue Code, Section 3405, you had no Maine income tax liability in the prior year, and you reasonably expect you will have no Maine income tax liability this year. This election will remain in effect until you complete a new Form W-4ME.

Line 6e. If you are the spouse of a member of the military, you may claim exemption from Maine withholding if you meet the following requirements:

1. Your spouse is a member of the military located in Maine in compliance with military orders.
2. You are in Maine solely to be with your spouse.
3. You and your spouse have the same domicile in a state other than Maine.
4. You attach a copy of your spouse's latest Leave and Earnings Statement reflecting an assignment location in Maine.
5. You present your military ID to your employer. The ID must identify you as a military spouse.

Your exemption will expire at the end of the calendar year during which you submit Form W-4ME claiming the exemption, at which time you must complete and submit a new Maine Form W-4ME for the new year.

Line 7. You may check this box if you meet all of the following requirements:

1. You are an enrolled member of the Houlton Band of Maliseet Indians, the Passamaquoddy Tribe, the Penobscot Nation, or the Mi'kmaq Nation ("tribal member");
2. You reside on land within the Houlton Band Trust Land, the Passamaquoddy Indian territory, Penobscot Indian territory, or the Mi'kmaq Nation Trust Land ("tribal land"). See 36 M.R.S. § 5102(5-A) for a definition of "tribal member residing on tribal land"; and
3. You earn wages, salaries, or other compensation derived from or connected with sources on tribal land in Maine (that is, wages, salaries, or other compensation **for work performed on tribal land in Maine**).

By checking the box on line 7 and signing Form W-4ME, you certify that you qualify for the exemption.

This exemption will remain in effect until you complete a new Form W-4ME. If your situation changes, and the exemption is no longer valid, you must provide a new Form W-4ME to your employer.

This exemption applies only to wages, salaries, or other compensation earned by a tribal member for work performed in Maine on tribal land. Thus, you must complete Form W-4ME, lines 1 through 5 to direct your employer/payer to withhold the correct Maine income tax from any compensation earned for work performed outside of tribal land.

Note: You may be subject to penalty if you do not have sufficient withholding to meet your Maine income tax liability.

Notice to Employers and Other Payers

Maine law requires employers and other persons to withhold money from certain payments, most commonly wages, retirement payments and gambling winnings, and remit to Maine Revenue Services for application against the Maine income tax liability of employees and other payees. The amount of withholding must be calculated according to the provisions of MRS Rule 803 (See maine.gov/revenue/rules) and must constitute a reasonable estimate of Maine income tax due on the receipt of the payment. Amounts withheld must be paid over to Maine Revenue Services on a periodic basis as provided by 36 M.R.S. Chapter 827 (§§ 5250 - 5255-B) and MRS Rule 803 (18-125 C.M.R., ch. 803).

Note: Do not reduce the amount of Maine withholding by any federal deduction amounts claimed on federal Form W-4, Step 4(b) or federal Form W-4P, Step 4(b) that were used to calculate federal income tax withholding. Currently, Maine does not conform to the federal deductions that may be used to reduce the required federal withholding amount. For more information on Maine withholding requirements, see instructions and MRS Rule 803 (Income Tax Withholding Reports and Payments). Watch for legislative updates by visiting legislature.maine.gov.

Employer/Payer Information for Completing Form W-4ME

An employer/payer is required to submit a copy of Form W-4ME, along with a copy of any supporting information provided by the employee/payee, to Maine Revenue Services if:

- A. The employer/payer is required to submit a copy of federal Form W-4 to the Internal Revenue Service either by written notice or by published guidance as required by federal regulation 26 CFR 31.3402(f)(2)-1(g); or
- B. An employee performing personal services in Maine furnishes a Form W-4ME to the employer containing a non-Maine address and, for any reason, claims no Maine income tax is to be withheld. This submission is not required if the employer reasonably expects that the employee will earn annual Maine-source income of less than \$3,000 or if the employee is a nonresident working in Maine for no more than 12 days for the calendar year and is, therefore, exempt from Maine

income tax withholding.

Submit copies of Form W-4ME directly to the MRS Withholding Unit separately from any other tax filing.

Employers/Payers must complete lines 8 through 11 only if required to submit a copy of Form W-4ME to Maine Revenue Services.

- ✓ Line 8 Enter employer/payer name and business address.
- ✓ Line 9 Enter employer/payer federal identification number (EIN and/or SSN).
- ✓ Line 10 Enter employer/payer contact person who can answer questions about withholding (i.e. human resources person, company officer, accountant, etc.).
- ✓ Line 11 Enter employer/payer contact person's phone number.

Important Information for Employers/Payers

Missing or invalid Forms W-4, W-4P or W-4ME. If any of the circumstances below occur, the employer or payer must withhold as if the employee or payee were single and claiming no allowances. Maine income tax must be withheld at this rate until such time that the employee or payee provides a valid Form W-4ME.

- (1) The employee/payee has not provided a valid, signed Form W-4ME;
- (2) The employee's/payee's Form W-4 or W-4P is determined to be invalid for purposes of federal withholding;
- (3) The Assessor notifies the employer/payer that the employee's/payee's Form W-4ME is invalid; or
- (4) The employee's/payee's Personal Withholding Allowance Variance Certificate has expired, a new variance certificate has not been approved and submitted to the employer/payer and the payee has not provided the payer with a valid Form W-4ME.

Exemptions from withholding Form W-4ME, lines 6 and 7. Generally, employers/payers must withhold from payments subject to Maine income tax unless an exemption is claimed on line 6 or 7.

Federal exemption from withholding (lines 6a and 6b). An employee/payee who is exempt from federal income tax withholding is also exempt from Maine income tax withholding. The employee/payee must check the applicable box on line 6. An employee/payee exempt from federal withholding that wants Maine withholding must leave line 6 blank. See the instructions for line 6d for recipients of periodic retirement payments who are exempt from federal income tax withholding.

Resident employee exemption from Maine withholding (line 6c). A resident employee who is subject to federal income tax withholding is exempt from Maine income tax withholding if the employee had no Maine tax liability for the prior year and expects to have no Maine tax liability for the current year. The exemption on line 6c expires at the end of each year. If the employee fails to submit a new Form W-4ME for the next calendar year, the employer must begin withholding at the single rate with no allowances.

Withholding from payments to nonresident employees. An employee who is exempt from Maine income tax because of the nontaxable thresholds applicable to nonresidents is not required to complete and submit Form W-4ME; however, an employee becomes subject to Maine income

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Important Information for Employers/Payers - Continued

tax withholding immediately upon exceeding a threshold at any time during the year. Because all income earned in Maine is taxable by Maine once a threshold is exceeded, employers should work with affected employees to ensure that Maine withholding is adequate to cover Maine income tax liability for the year. This may require the employee submitting a new Form W-4ME with the employer.

Withholding exemption for periodic retirement payments (line 6d). Recipients of periodic retirement payments as defined by IRC § 3405 that are subject to federal income tax withholding are exempt from Maine income tax withholding if the recipient certifies (by checking the box on line 6d) that he or she had no Maine income tax liability for the prior year and expects to have no Maine income tax liability for the current year. The exemption remains in effect until the recipient submits an updated Form W-4ME.

Exemptions under the Military Spouse's Residency Relief Act (MSRRA). If the box on line 6e is checked, the employer must:

- (1) Ensure that a copy of the military member's Leave and Earnings Statement (LES) is attached, and verify that the assignment location entered on the LES is a location in Maine; and
- (2) Review the employee's military ID to ensure that the date on the ID is not more than four years prior to the date on the employee's Form W-4ME, and that the ID denotes the employee as a current military spouse.

An exemption claimed on line 6e expires at the end of the calendar year. If the employee does not submit a new Maine Form W-4ME, the employer must begin withholding for the first pay period in the following year at the maximum rate (single with one allowance).

See the employee instructions for line 6e above for more information about this exemption.

Withholding from payments to tribal members who reside and work on tribal lands (line 7). An employee is exempt from Maine income tax withholding on wages, salaries, or other compensation derived from or connected with sources on tribal land in Maine (that is, wages, salaries, or other compensation **for work performed in Maine on tribal land**) if the employee checks the box on line 7 and signs Form W-4ME certifying that they are an enrolled tribal member residing on tribal land in Maine. This exemption remains in effect until the recipient submits an updated Form W-4ME.

Employers must withhold from payments that do not meet the requirements of this exemption, such as wages, salaries, or other compensation earned by a tribal member residing on tribal land when the work is performed outside of tribal land.

See the employee instructions for line 7 above and 36 M.R.S. §§ 111(9), 111(10), 5102(5-A), 5122(2)(ZZ), and 5132 for more information about this exemption.