



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 17, No. 8

October, 2007

Public Communications Tel: (207) 626-8478

Maine Revenue Services Rulemaking Activity

Amendments to Rule 207, "Real Estate Transfers." This rule, which has been in place since 1987, was replaced in 2003 and was last amended in January 2007, provides comprehensive guidance regarding Maine's real estate transfer tax. Specifically, the proposed Rule clarifies the exceptions to the requirement to provide tax identification numbers for the parties to a real estate transfer, such as when the numbers are unavailable.

Adoption of Proposed Rule 601, "Estate Tax." This rule clarifies requirements for filing Maine estate tax returns, requesting extensions, making payments, and requesting the release of an estate tax lien. The Rule provides guidance on the calculation of the Maine gross estate, the inclusion of gifts, and the sourcing and valuation of estate property. The requirements for qualified terminable interest property, Maine elective property, and qualified domestic trusts are explained in detail in Rule 601.

The proposed rules can be found on the MRS web site at www.maine.gov/revenue (select Laws & Rules). Comments are due by December 3, 2007 and should be directed to Nanette Ardry, Staff Attorney, via email at nanette.m.ardry@maine.gov, or by regular mail at Maine Revenue Services, 24 State House Station, Augusta Maine 04333.

2007 Tax Forms

Form 2333ME for ordering 2007 tax forms is now available on the Maine Revenue Services web site at www.maine.gov/revenue/forms/general/2333_07.pdf. A printed version of Form 2333ME is also available by calling (207) 624-7894 to leave your name and address.

Maine Department of Labor Announces New Training Fund Program

Last June, Governor John Baldacci signed into law a package that included reforms to Maine's unemployment system and the creation of a workforce training fund. The proposal was designed to update the unemployment program to better serve the changing needs of Maine's workforce and employers, and improve the employment stability of workers in our economy who are most likely to collect unemployment benefits.

Among other things, the measure created the Competitive Skills Scholarship Fund (CSSF) to address the growing skill gap in the workforce and help businesses get the trained workers they need to successfully compete in today's marketplace. The program is designed to assist workers in obtaining the knowledge and skills required by today's jobs. As unemployment rates fall with higher education levels, the program will also reduce the likelihood that participants will collect unemployment benefits in the future. The Competitive Skills Scholarship Fund program will be coordinated through the Department of Labor's Career Center system and will be available to low income workers - both unemployed and underemployed - throughout Maine.

The CSSF program will raise approximately \$3 million annually through employer assessments that will be made along with each employer's state quarterly withholding and unemployment taxes. However, the cost of this assessment will be greatly offset - and for most, eliminated - through two additional actions authorized under this legislation. The first action significantly reduces overall unemployment taxes collected during the next two years. A change in the unemployment trust fund reserve target will result in unemployment tax rates going down instead of increasing as they were projected to do. Instead of increasing to tax Schedule C in 2008 and 2009 as expected, unemployment tax rates will now decrease to the lowest rate, Schedule A, for both years. This will reduce employer taxes from what would have been collected by \$33.7 million in 2008 and \$35 million in 2009, which amounts to a savings for the average employer equal to \$74 - \$77 per employee, per year. Secondly, the unemployment taxes for all employers, except those currently paying the highest unemployment tax rate, will be reduced by an amount equal to their CSSF assessment. Currently, the highest tax rate is 5.4% and federal law prohibits a state from setting its highest rate lower than 5.4%, so the unemployment taxes for those at this rate cannot be reduced further.

For more information about the CSSF program, contact the Maine Dept. of Labor at 621-5120 or by email at division.uctax@maine.gov.

CSSF Related Reporting Changes Implemented for 2008

The CSSF program is effective beginning January 1, 2008. Rate notices for 2008 will be mailed in December 2007 and will include the employer's net UC rate (i.e. the UC rate less the CSSF rate offset) and the CSSF rate, which is .05%.

The 2008 Form 941/C1-ME will include new lines to report the CSSF rate and contributions due. Both UI and CSSF contribution amounts are calculated based on the taxable wages paid. Therefore, any employer who has Unemployment Contributions due for a given quarter will also

have CSSF contributions due and must enter the appropriate amount on the new line. The 2008 forms will be available between late February and mid March.

Maine Revenue Services Implements New E-file Portal for Employer Reporting

Two years ago, MRS implemented an electronic filing system for employers and payroll processors to upload quarterly withholding/UI returns in the ICESA file format. Since then, use of the system has grown tremendously with almost 50% of quarterly returns now being filed electronically.

Now MRS has implemented the Maine Employers Electronic Tax Reporting System (MEETRS). The new system will allow employers, non-wage withholders and processors to file multiple forms with a single login. Currently, quarterly returns and the annual reconciliation (Form W-3ME) can be filed through MEETRS. Form W-2 is expected to be added by the end of the year. Forms 1099 and W-2G are planned for next year. The system can be accessed at www.maine.gov/revenue/netfile/gateway2.htm.

Changes to Electronic Filing Specifications for Quarterly Returns

The Maine specifications used for filing quarterly returns via MEETRS have been modified for periods beginning with the first quarter of 2008. The modifications include the addition of two new fields in the T record to report employer contributions to the Maine Competitiveness Skills Scholarship Fund (CSSF). The two new fields and other changes to the filing specifications are highlighted on page 1 of the revised specifications dated July 2007.

The revised quarterly return file specifications are now available to view or download from the Maine Revenue Services web site at www.maine.gov/revenue/magmedia/magmedia.html.

Changes to Electronic Filing Specifications for Form W-3ME

The file specifications used for filing Form W-3ME via MEETRS have also been modified. Four new fields have been added to the E record to reflect the addition of new lines added to the 2007 Form W-3ME. In order to accommodate the additional fields, the fixed record length has been increased from 120 characters to 240 characters. The new specifications apply to form year 2007 (to be filed February 2008).

The revised Form W-3ME file specifications are now available to view or download from the Maine Revenue Services web site at www.maine.gov/revenue/magmedia/magmedia.html.

2008 Individual Income Tax Rates

Below are the individual income tax rate schedules for tax years beginning in 2008. The rate schedules for 2007 are found at www.state.me.us/revenue/forms/1040/2007/RateSched07.pdf.

Note: The 2008 tax rate schedule dollar bracket amounts are adjusted by multiplying the cost-of-living adjustment, 1.166, by the dollar amounts of the tax rate tables specified in 36 M.R.S.A. § 5111 subsections 1-B, 2-B and 3-B (see 36 M.R.S.A. § 5403). The personal exemption amount is not subject to the inflation adjustment for tax year 2008.

Do not use these tax rate schedules to determine income tax withholding from wages.

Tax Rate Schedule #1

For Single Individuals and Married Persons Filing Separate Returns

If the taxable income is:	The tax is:
Less than \$4,850	2.0% of the taxable income
\$ 4,850 but less than \$ 9,700	\$ 97 plus 4.5% of excess over \$ 4,850
\$ 9,700 but less than \$19,450	\$ 315 plus 7.0% of excess over \$ 9,700
\$ 19,450 or more	\$ 998 plus 8.5% of excess over \$19,450

Tax Rate Schedule #2

For Unmarried or Legally Separated Individuals who Qualify as Heads-of-Households

If the taxable income is:	The tax is:
Less than \$7,300	2.0% of the taxable income
\$ 7,300 but less than \$14,550	\$ 146 plus 4.5% of excess over \$ 7,300
\$14,550 but less than \$29,200	\$ 472 plus 7.0% of excess over \$14,550
\$29,200 or more	\$1,498 plus 8.5% of excess over \$29,200

Tax Rate Schedule #3

For Married Individuals and Surviving Spouses Filing Joint Returns

If the taxable income is:	The tax is:
Less than \$9,750	2.0% of the taxable income
\$ 9,750 but less than \$19,450	\$ 195 plus 4.5% of excess over \$ 9,750
\$19,450 but less than \$38,900	\$ 632 plus 7.0% of excess over \$19,450
\$38,900 or more	\$1,994 plus 8.5% of excess over \$38,900

Personal Exemption:	\$2,850	
Standard Deduction:	Single - \$5,450	Married Filing Jointly - \$9,100
	Head-of-Household - \$8,000	Married Filing Separate - \$4,550

Additional Amount for Age or Blindness:

\$1,050 if married (whether filing jointly or separately) or a qualified surviving spouse. The additional amount is \$2,100 if one spouse is 65 or over and blind, \$2,100* if both spouses are 65 or over, \$4,200* if both spouses are 65 or over and blind, etc.

*If married filing separately, these amounts apply only if you can claim an exemption for your spouse.

\$1,350 if unmarried (single or head-of-household). The additional amount is \$2,700 if the individual is both 65 or over and blind.

Note: If taxpayer can be claimed as a dependent on another person's return, the standard deduction is the greater of \$900 or earned income plus \$300 (up to the standard deduction amount).

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 287-2076	(207) 287-5855	
Appellate	(207) 624-9854	(207) 287-3294	
Central Registration	(207) 621-5129	(207) 287-3733	division.uctax@maine.gov
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Corporate Tax	(207) 624-9670	(207) 624-9694	corporate.tax@maine.gov
Economic Research	(207) 624-9789	(207) 287-3618	
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 624-9740	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6627	efunds.transfer@maine.gov
Estate Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel Tax	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	compliance.tax@maine.gov
Payment Plan/Other	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2013	(207) 287-6396	prop.tax@maine.gov
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@maine.gov
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	taxpayer.advocate@maine.gov
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@maine.gov
Tax Violations Hot Line	(207) 624-9600		

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

STATE OF MAINE

John Elias Baldacci, Governor

Rebecca M. Wyke, Commissioner
Administrative and Financial Services

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

Suggestions for the Tax Alert?

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