



# MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 26, Issue 8

December 2016

## Maine Revenue Services ("MRS") Rulemaking Activity

**Rule 205 amended.** Rule 205 (Certification of Assessors) has been updated to expand the levels of assessor certification to recognize advanced professional education and make other, housekeeping, changes. Certification and the continuing education of property tax assessors in the State of Maine is the responsibility of the State Tax Assessor. This rule governs the nature and content of the certification examinations as well as the enforcement of the continuing education requirements required under 36 M.R.S. § 311. A copy of the rule can be found on the MRS website at [www.maine.gov/revenue/rules/homepage.html](http://www.maine.gov/revenue/rules/homepage.html).

**Rule 301 amended.** MRS has amended Rule 301 ("Sales for Resale and Sales of Packaging Materials"). This rule establishes procedures for making sales for resale, certain sales to lessors and service providers, and sales of packaging materials exempt from sales tax, and sets forth requirements for certification of exempt sales. The amendments, which are minor, conform the rule to recent statutory changes and to current agency practice. The changes will have no substantive impact on taxpayers. A copy of the rule can be found on the MRS website at [www.maine.gov/revenue/rules/homepage.html](http://www.maine.gov/revenue/rules/homepage.html).

**Rule 308 amended.** MRS has amended Rule 308 ("Direct Pay Permits"). This rule establishes a system for combined reporting of purchases by manufacturers and utilities using a "direct payment permit" issued by the State Tax Assessor. A minor amendment has been made to Section 4(1) to reflect that the transmission and distribution ("T&D") of electricity may be purchased exempt from tax by a direct pay permit holder. Former Section 6 of the Rule has also been deleted as unnecessary. The changes will have no substantive impact on taxpayers. A copy of the rule can be found on the MRS website at [www.maine.gov/revenue/rules/homepage.html](http://www.maine.gov/revenue/rules/homepage.html).

**Rule 323 proposed amendments.** MRS has proposed minor amendments to Rule 323 ("Commercial Agricultural Production, Commercial Aquacultural Production, Commercial Fishing and Commercial Wood Harvesting") to update it to reflect recent statutory changes that apply to sales occurring on or after January 1, 2017. The rule addresses the issuance of sales tax refunds and certificates of exemption to persons who are engaged in certain qualifying activities. Current law provides that fuel is eligible for exemption or refund only when used in a commercial fishing vessel, but effective January 1, 2017, all fuel used by farmers, fishermen and wood harvesters in their business will be eligible for exemption or refund. This is routine annual rulemaking. Comments should be directed to David E. Bauer, Tax Policy Analyst, Maine Revenue Services, 24 State House Station, Augusta, Maine 04333 or via e-mail to [david.e.bauer@maine.gov](mailto:david.e.bauer@maine.gov). The deadline for comments is December 30, 2016.

**Rule 504 repealed.** MRS has repealed Rule 504 “Shrinkage Allowance for Retail Gasoline Dealers.” The rule was unnecessary as everything addressed in the rule is covered by the relevant statute (36 M.R.S. § 2906). Repeal of the Rule will result in no change in Maine Revenue Services policy and practice regarding gasoline shrinkage allowances.

**Rule 703 repealed.** MRS has repealed Rule 703 (“Exempt Sales of Cigarettes”), which was unnecessary and obsolete. Repeal of the Rule will have no impact on cigarette distributors, cigarette wholesales, or any other Maine taxpayers.

## Notice Regarding VOLKSWAGEN and AUDI DIESEL Class Action Settlement Buyouts

Maine Revenue Services is issuing this informational notice to make current owners of certain 2009-2015 Volkswagen and Audi diesel vehicles aware of the sales tax implications of the buyback option provided through the Class Action Settlement Agreement approved October 25, 2016.

This guidance applies to eligible owners of 2009-2015 Volkswagen and Audi diesel vehicles included as part of the settlement agreement. Under the terms of the settlement, the owner of an affected Volkswagen or Audi vehicle is eligible for a cash payment depending on the model, the year, and the mileage of the vehicle. In addition, the owner may elect to have Volkswagen buy back their vehicle, or they may keep the vehicle and Volkswagen will provide modifications to the vehicle’s emissions system.

Under Maine law, when a motor vehicle is traded in towards the purchase of another motor vehicle, sales tax is computed on only the difference between the purchase price of the new vehicle and the trade-in allowance for the old vehicle. However, owners that elect to have Volkswagen buy back their vehicle and then purchase a replacement vehicle should be aware that the buyback is a separate transaction and *does not* qualify as a trade-in allowance for Maine sales tax purposes. Sales tax will be due on the full purchase price of the replacement vehicle. Additional questions should be directed to the Sales, Fuel and Special Tax Division at (207) 624-9693 or [sales.tax@maine.gov](mailto:sales.tax@maine.gov).

## Changes to the Prepaid Wireless Fee Imposed on Prepaid Wireless Card Transactions

The PUC has announced changes to the amount of the Prepaid Wireless fee, comprised of the E-911 surcharge, the Maine Universal Service Fund (MUSF) fee and the Maine Telecommunications Education Access Fund (MTEAF) fee.

Effective January 1, 2017, the fee will increase from \$1.01 per retail transaction to \$1.16 per retail transaction.

Sellers who are not a prepaid wireless provider are allowed to retain 3% of the total fee collected.

The components of the fee rounded to the nearest penny are:

E9-1-1	\$ .45 (the current statutory surcharge amount);
MUSF	\$ .53 (\$25 times the current contribution (or assessment) rate of 2.1%); and
MTEAF	<u>\$ .18</u> (\$25 times the contribution (or assessment) rate of .7%);
TOTAL	\$ 1.16. These amounts are rounded to the nearest penny.

## Maine Revenue Services Conforms to Federal Tax Relief Provided to Taxpayers Affected by Hurricane Matthew

Maine Revenue Services has announced Maine Tax Filing Relief for those located in the federally declared disaster areas affected by Hurricane Matthew.

Taxpayers who reside or have a business located in the Hurricane Matthew disaster area will have until March 15, 2017 to file tax returns and submit tax payments that were due on or after October 4, 2016 and before March 15, 2017. The relief applies to all taxes administered by Maine Revenue Services, including Sales and Use Taxes, Individual and Corporate Income Taxes, the Estate Tax and Financial Institution Franchise Tax.

Maine Revenue Services will abate interest and any late filing or late payment penalty that would otherwise apply. However, the extended due dates do not automatically apply to Maine Form W-3ME and information returns, such as Forms W-2 and 1099. Extensions for filing these forms will be granted on a case-by-case basis for reasonable cause.

To qualify for relief, affected taxpayers should write "HURRICANE MATTHEW" across the top of their return. Businesses or individuals located in the federally declared disaster area who receive penalties and interest for filing returns or paying taxes late during the relief period should contact Maine Revenue Services at 207-626-8475 (Income Tax programs) or 207-624-9693 (Sales Tax programs) for a waiver of the penalties and interest.

If the [IRS grants relief to other areas](#) affected by the hurricane or grants an additional relief period, Maine Revenue Services intends to grant similar relief to affected Maine taxpayers.

Taxpayers with questions about special federal tax relief associated with Hurricane Matthew should contact the IRS at 866-562-5227 or go to the IRS website at [www.irs.gov](http://www.irs.gov) for posted information. Taxpayers with questions about their Maine taxes are encouraged to contact Maine Revenue Services at 207-626-8475 (Income Tax programs) or 207-624-9693 (Sales Tax programs), or visit the Maine Revenue Services website at [www.maine.gov/revenue](http://www.maine.gov/revenue).



## Clarification of Annual Due Date Change for Maine Pass-Through Entity Withholding (Form 941P-ME)

As noted in the [October 2016](#) issue of the Maine Tax Alert, Maine generally conforms to the federal changes to the original and extension due dates for corporate and partnership returns for tax years beginning on or after January 1, 2016. See the chart as provided in that article for the corresponding Maine original and extension due dates.

Note however, that for tax years 2016 and later, Form 941P-ME is due by March 15<sup>th</sup> each year, even if the entity operates on a fiscal year basis. If an entity has an extension from the Internal Revenue Service (IRS) for filing its federal information return (Form 1065 or 1120S), the due date for filing Form 941P-ME is automatically extended for an equivalent period of time, generally up to 6 months, but no longer than 8 months. If any pass-through entity withholding is due, that amount must be paid by March 15, 2016; no extension to pay is allowed.

Fiscal year entities must complete Form 941P-ME on the basis of entity information for the fiscal year that ends during the calendar year for which the form is filed. For example, an entity with a fiscal year ending June 30, 2016 would complete the 2016 Form 941P-ME by March 15, 2017 on the basis of the entity's information for the fiscal year that ends June 30, 2016.

## Fraud Alert

If you believe you are a victim of identity theft or that a breach of personally identifiable information has occurred, contact MRS at (207) 626-8475 or email [fraudalert.mrs@maine.gov](mailto:fraudalert.mrs@maine.gov) as soon as possible. Timely notification assists MRS in preventing fraudulent tax refunds.

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 626-8475	(207) 287-5855	
Central Registration	(207) 624-5644	(207) 287-6975	<a href="mailto:taxregistration@maine.gov">taxregistration@maine.gov</a>
Collections & Compliance	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Corporate Tax	(207) 624-9670	(207) 624-9694	<a href="mailto:corporate.tax@maine.gov">corporate.tax@maine.gov</a>
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 287-6628	<a href="mailto:efile.helpdesk@maine.gov">efile.helpdesk@maine.gov</a>
Electronic Funds Transfer	(207) 624-5625	(207) 287-3618	<a href="mailto:efunds.transfer@maine.gov">efunds.transfer@maine.gov</a>
Estate & Fiduciary Tax	(207) 626-8480	(207) 624-9694	<a href="mailto:estatetax@maine.gov">estatetax@maine.gov</a>
Fuel & Special Taxes	(207) 624-9609	(207) 287-6628	<a href="mailto:fuel.tax@maine.gov">fuel.tax@maine.gov</a>
Forms Request Line	(207) 624-7894		
Individual Income Tax Assistance	(207) 626-8475	(207) 624-9694	<a href="mailto:income.tax@maine.gov">income.tax@maine.gov</a>
Insurance Premium Tax	(207) 624-9753	(207) 624-9694	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Payment Plan/Other	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 624-5600	(207) 287-6396	<a href="mailto:prop.tax@maine.gov">prop.tax@maine.gov</a>
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	<a href="mailto:sales.tax@maine.gov">sales.tax@maine.gov</a>
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Office of Tax Policy	(207) 624-9677	(207) 287-3618	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	<a href="mailto:taxpayer.advocate@maine.gov">taxpayer.advocate@maine.gov</a>
Withholding Tax	(207) 626-8475	(207) 624-9694	<a href="mailto:withholding.tax@maine.gov">withholding.tax@maine.gov</a>
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.

Suggestions for the Tax Alert?

**Please contact:**

Maine Revenue Services

PO Box 1060

Augusta, Maine 04332-1060