



# MAINE TAX ALERT

A Publication of Maine Revenue Services (“MRS”) for Tax Professionals

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## **Pass-through Entity Composite Filing and Reporting of Federal Partnership-Level Audit and Administrative Adjustments Updates for Tax Year 2023**

### Composite Filing

As previously announced in the August 2023 - #2 Tax Alert, Schedule 1040C-ME is discontinued for tax years beginning after 2022 and replaced by **Form 1040C-ME**.

For tax years beginning on or after January 1, 2023, pass-through entities filing Maine composite income tax returns on behalf of nonresident partners/shareholders must use the **new Form 1040C-ME and related schedules**. Affected entities may no longer use Maine individual income tax Form 1040ME to file a composite return. The 2023 Maine composite income tax returns are due April 17, 2024 for calendar year filers.

### Partnership Audit/Administrative Adjustment Report

For tax years beginning on or after January 1, 2023, final federal adjustments resulting from a federal partnership-level audit or administrative adjustment report must, for Maine purposes, be reported on Form 1040C-ME and Schedule 1040PA-ME. The Schedule 1040PA-ME may not be filed separately from Form 1040C-ME.

Form 1040C-ME and, if applicable, Schedule 1040PA-ME can be filed electronically using the Maine Tax Portal (“MTP”). The MTP allows entities and authorized third parties to register to file tax returns, make payments, view bills and notices, and perform online account maintenance activities, such as adding or removing addresses and closing an account. For more information regarding the Maine Tax Portal, see [revenue.maine.gov](https://revenue.maine.gov).

Additional information regarding Maine pass-through entity filing requirements is available on the MRS website at [www.maine.gov/revenue/taxes/income-estate-tax/pass-through-entity-withholding-941p-me-returns](https://www.maine.gov/revenue/taxes/income-estate-tax/pass-through-entity-withholding-941p-me-returns).

## **MRS Rulemaking Activity Proposed Rules**

**New Rule 101, “General Administrative Provisions.”** MRS is proposing to adopt a new Rule 101 to explain certain General Administrative Provisions. In part, this new rule will explain

aspects of the reconsideration process related to interest and penalty accrual. Specifically, interest continues to accrue during the reconsideration process whereas penalties that otherwise would accrue are permanently abated during the reconsideration process until the underlying liability is considered “final.”

**Rule 102, “Electronic Funds Transfer (EFT).”** MRS is proposing to amend Rule 102 to impose an EFT requirement on payers of Maine real estate withholding beginning in 2025 and to clarify the rule by removing obsolete provisions, adding clarifying language, and making other technical changes.

**Rule 104, “Filing of Maine Tax Returns.”** MRS is proposing to amend Rule 104 to impose an electronic filing requirement on taxpayers and certain taxpayer representatives for the filing of the following Maine tax returns: corporate income tax returns filed after 2024 if the taxpayer is required to file the related federal return electronically; real estate withholding returns due on or after January 1, 2025; financial institutions franchise tax returns and insurance premiums tax returns filed after 2024; and returns for certain special taxes, such as the blueberry tax, cannabis excise tax, cigarette tax, gasoline distributor tax, special fuel supplier tax, filed after 2024. A waiver from the electronic filing requirement may be obtained if the requirement causes undue hardship. The proposed amended rule deletes obsolete provisions and contains technical changes for clarification.

**Rule 110, “Requests for Advisory Rulings.”** MRS is proposing to amend Rule 110 to clarify that MRS may decline any request for advisory ruling. MRS is also proposing to make certain other clarifications regarding terminology and method of submission.

**Rule 202, “Tree Growth Tax Law Valuations.”** MRS is proposing to repeal and replace Rule 202 to provide updated valuation rates for each forest type by region. 36 M.R.S. § 576 requires that the State Tax Assessor annually establish the value per acre for each forest type, by economic region, for parcels classified under the Tree Growth Tax Law.

**Rule 603, “Maine Estate Tax After 2012.”** MRS is proposing to amend Rule 603 to remove the requirement that a copy of the federal estate tax closing letter be attached to the Maine amended estate tax return. The change is effective on the date of adoption. Technical changes are added to enhance clarity.

**Rule 805, “Composite Filing.”** MRS is proposing to amend Rule 805 to reflect that the composite filing of a pass-through entity on behalf of eligible persons (certain nonresident individuals, trusts, and estates) is, for taxable years beginning after 2022, a separate, unique tax type. The amended rule also proposes to clarify that entity income does not include an eligible person’s distributive share of Maine-source net income of an entity if that income is less than zero and to make other technical changes for clarification.

The proposed changes can be found on MRS’s website, at [www.maine.gov/revenue/publications/rules](http://www.maine.gov/revenue/publications/rules), under “Current MRS Rulemaking Activity.”

Comments on these proposed changes are due by **Friday, March 29, 2024**, and must be directed to Alex Weber, General Counsel of MRS either by email at [alexander.j.weber@maine.gov](mailto:alexander.j.weber@maine.gov) or by mail at P.O. Box 1060, Augusta, ME 04332-1060.

## **Internal Revenue Service (“IRS”) Announces Special Saturday Hours for Face-to-face Help Across the Nation**

The IRS recently issued [IR-2024-41](#) to announce special Saturday hours for face-to-face tax assistance available over the next four months at specific Taxpayer Assistance Centers (“TACs”) across the country.

For more information and a list of participating TACs, visit the IRS website at [www.irs.gov/help/irs-face-to-face-saturday-help](http://www.irs.gov/help/irs-face-to-face-saturday-help).

## **Maine Tax Portal, Free Training Available**

Register now for a free Maine Tax Portal training session from MRS, where you’ll learn:

- When you can begin using the Maine Tax Portal
- Exciting new features to make filing, paying, and managing state taxes faster and more convenient than ever
- How to create a login
- How to register if you’re paying taxes in Maine for the first time
- How to set up account access between you and your business tax professional

Sign up for our webinar at [www.maine.gov/revenue/mtpwebinarschedule](http://www.maine.gov/revenue/mtpwebinarschedule).

### **Free Training Webinars**

You only need to attend one seminar for the topic that’s relevant to the taxes you pay. Each session is approximately 90 minutes in duration.

<u>Individual Income Tax</u>	
Thursday, March 14, 2024	10am
Thursday, March 28, 2024	2pm
Thursday, April 11, 2024	10am

## **Careers and Internships at MRS**

MRS’s mission is to fairly and efficiently administer the State’s tax laws with integrity and professionalism.

MRS is looking for smart, motivated, and team-oriented people to join our team. Benefits include:

- Qualifying employer for federal student loan forgiveness
- Tuition reimbursement for continuing education (including CPA exam)
- Public service

- Competitive salary
- MainePERS retirement plan and deferred compensation
- Generous insurance and paid leave (including all state holidays)
- Flexible spending accounts and longevity pay
- Gym membership reimbursement

Regularly posted, full-time positions at MRS include the Tax Examiner and Revenue Agent positions. Click the following link for more information about these positions:

<https://apps.web.maine.gov/cgi-bin/bhrssalary/jobs.pl>.

Click the following link for more information about careers and paid internships and to sign up to receive notifications of new MRS job openings: [www.maine.gov/revenue/careers](http://www.maine.gov/revenue/careers).

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### **MRS Contact Information:**

A complete list of MRS contact information is available at [www.maine.gov/revenue](http://www.maine.gov/revenue).

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**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.**

**To report issues with the Maine Tax Alert, contact:**

**Maine Revenue Services**

**PO Box 1060**

**Augusta, Maine 04332-1060**