MAINE TAX ALERT



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Maine Revenue Services ("MRS") Due Date for Information Returns

MRS is reminding employers that copies of payee statements (federal Forms W-2 and 1099) required to be filed, or that are filed voluntarily, with MRS must be filed electronically no later than January 31st following the calendar year for which the payee statements relate. MRS does not accept paper copies of payee statements. Also, the January 31st filing deadline is not subject to extension.

MRS requires the following to electronically submit copies of the following forms with MRS:

- Employers that file 250 or more W-2 forms with the Social Security Administration;
- Non-wage payers that submit 250 or more of a single type of 1099 form with the Internal Revenue Service ("IRS"); and
- Entities that have received an exception from the requirement to complete Maine Form 941ME, Schedule 2 must file copies of information returns electronically directly with MRS.

For more information, see MRS electronic filing specifications for Forms W-2, 1099, and W-2G, available at www.maine.gov/revenue (select Electronic Services).

Truncating Social Security Numbers ("SSNs") on Certain Information Returns to Employees

Recent amendments to <u>U.S. Treasury Regulations promulgated under Section 6051 and 6052</u> of the Internal Revenue Code permit employers to voluntarily truncate SSNs on federal Form W-2 ("Wage and Tax Statement") and federal Form W-2C ("Corrected Wage and Tax Statement") furnished to employees. However, copies of federal Forms W-2 and W-2C furnished to the IRS or Social Security Administration must include the employee's full SSN.

Similarly, for Maine purposes, federal Forms W-2 and W-2C provided to MRS by the employer or an agent of the employer must include the employee's full SSN.

Truncation of the Employer Identification Number is not permitted on these forms.

Changes to Maine Form W-4ME

MRS is in the process of drafting updates to Maine Form W-4ME for 2020 in response to proposed changes to the IRS Form W-4 for 2020. The draft 2020 IRS Form W-4 has been redesigned to eliminate the use of personal allowances to determine federal income tax withholding. As a result, the 2020 Maine Form W-4ME will no longer use federal personal allowances as a starting point for calculating the number of personal allowances for Maine income tax withholding purposes. MRS expects to post to its website a final version of the 2020 Form W-4ME in late November or early December. MRS will issue an announcement in the Maine Tax Alert when the 2020 form is posted.

Employees who have submitted Maine Form W-4ME in any year before 2020 are not required to submit a new form merely because of the updates. Employers will continue to compute withholding based on the information from the employee's most recently submitted Maine Form W-4ME.

Fiscal Agents for Employer Withholding

A new provision in Maine law, 36 M.R.S. § 5250(5), provides that fiscal agents designated in accordance with Section 3504 of the Internal Revenue Code to perform acts required of employers may, at the discretion of the State Tax Assessor, be designated to perform acts required of employers for purposes of complying with Maine's employer wage withholding law. Designations approved by the Assessor will only be granted for tax periods beginning after 2019. Approved fiscal agents are subject to the same requirements and liabilities imposed on their client employers.

Fiscal agents planning to act for their client employers within the meaning of 36 M.R.S. § 5250(5) will need to register with MRS by submitting the Registration Application available at www.maine.gov/revenue/forms (click on *General Forms*). Complete Sections 1 and 2 of the application, check the box in Section 2, line 9 for fiscal agents and follow all other relevant instructions for registration. Upon receipt of the application, MRS will contact the fiscal agent to request additional information and required documents to complete the registration process. MRS will also inform the fiscal agent of special tax filing and payment requirements, as well as other legal and administrative responsibilities of a fiscal agent designated under 36 M.R.S. § 5250(5).

MRS Guidance Regarding Certain Non-taxable Streaming Subscription Services Over the Internet

Maine Revenue Services has revised Instructional Bulletin 55, "Service Provider Tax," to clarify that Maine Service Provider Tax does not apply to streaming subscription services over the internet, including streaming subscription services for music, radio, and video. This is because such streaming services do not meet the definition of "cable and satellite television or radio services" under 36 M.R.S. § 2551(2) or the definition of "video media" under 36 M.R.S. § 2551(21). In addition, these temporary and conditional access streaming subscription services are not subject to Maine Sales Tax as sales of "tangible personal property" and "product[s] transferred electronically" within the meaning of 36 M.R.S. §§ 1752(9-E) and 1752(17).

2020 State of Maine Individual Income Tax Rates

Below are the individual income tax rate schedules for tax years beginning in 2020. The rate schedules for 2019 are found at: www.maine.gov/revenue/forms/1040/2019/1040_RateSched_2019.pdf

For tax years beginning in 2020, an inflation adjustment is made by multiplying the cost-of-living adjustment, 1.056, by the lowest dollar amounts of the tax rate tables specified in 36 M.R.S. § 5111, sub-§§ 1-F, 2-F and 3-F and by multiplying the cost-of-living adjustment, 1.052, by the highest dollar amounts of the tax rate tables specified in 36 M.R.S. § 5111, sub-§§ 1-F, 2-F and 3-F. The Maine personal exemption amount is adjusted by multiplying the cost-of-living adjustment, 1.036, by the dollar amount of the personal exemption specified in 36 M.R.S. § 5126-A, sub-§ 1, for the taxpayer and taxpayer's spouse, if married. See 36 M.R.S. § 5403. The Maine standard deduction amount is equal to the federal standard deduction amount.

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

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|---|---|--|--|
| If the taxable income is: | The tax is: | | |
| Less than \$22,200 | 5.8% of Maine taxable income | | |
| \$22,200 but less than \$52,600 | \$1,288 plus 6.75% of excess over \$22,200 | | |
| \$52,600 or more | \$3,340 plus 7.15% of excess over \$52, 600 | | |

Tax Rate Schedule #2
For Unmarried or Legally Separated Individuals Who Qualify as Heads of Household

| If the taxable income is: | The tax is: |
|---------------------------------|--|
| Less than \$33,300 | 5.8% of Maine taxable income |
| \$33,300 but less than \$78,900 | \$1,931 plus 6.75% of excess over \$33,300 |
| \$78,900 or more | \$5,009 plus 7.15% of excess over \$78,900 |

Tax Rate Schedule #3 For Married Individuals and Surviving Spouses Filing Joint Returns

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|--|---|--|--|
| If the taxable income is: | The tax is: | | |
| Less than \$44,450 | 5.8% of Maine taxable income | | |
| \$44,450 but less than \$105,200 | \$2,578 plus 6.75% of excess over \$44,450 | | |
| \$105,200 or more | \$6,679 plus 7.15% of excess over \$105,200 | | |

Personal Exemption: \$4,300 – applicable to the taxpayer (and spouse if married filing jointly)

Standard Deduction: Single - \$12,400 Married Filing Jointly - \$24,800 Head of Household - \$18,650 Married Filing Separately - \$12,400

Additional Amount for Age or Blindness:

\$1,300 if married (whether filing jointly or separately) or a qualified surviving spouse. The additional amount is \$2,600 if one spouse is 65 or over <u>and</u> blind, \$2,600* if both spouses are 65 or over, \$5,200* if both spouses are 65 or over <u>and</u> blind, etc.

*If married filing separately, these amounts apply only if you can claim an exemption for your spouse. \$1,650 if unmarried (single or head of household). The additional amount is \$3,300 if the individual is both 65 or over <u>and</u> blind.

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 as soon as possible. Timely notification assists MRS in preventing fraudulent tax refunds.

| <u>Department</u> | Telephone Numbers | FAX Numbers | E-mail Addresses |
|----------------------------------|--------------------------|----------------|-----------------------------|
| Taxpayer Service Center | (207) 626-8475 | (207) 287-5855 | |
| Contact Center | (207) 624-9784 | (207) 287-6975 | taxpayerassist@maine.gov |
| Central Registration | (207) 624-5644 | (207) 287-6975 | taxregistration@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 |
| E-file Help Desk (1040 ONLY) | (207) 624-9730 | (207) 287-6628 | efile.helpdesk@maine.gov |
| Electronic Funds Transfer | (207) 624-5625 | (207) 287-3618 | efunds.transfer@maine.gov |
| Estate & Fiduciary Tax | (207) 626-8480 | (207) 624-9694 | estatetax@maine.gov |
| Fuel & Special Taxes | (207) 624-9609 | (207) 287-6628 | fuel.tax@maine.gov |
| Forms Request Line | (207) 624-7894 | | |
| Individual Income Tax Assistance | (207) 626-8475 | (207) 624-9694 | income.tax@maine.gov |
| Insurance Premiums Taxes | (207) 624-9753 | (207) 624-9694 | |
| 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) 624-5600 | (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) 624-9595 | (207) 287-6627 | |
| Office of Tax Policy | (207) 624-9677 | (207) 287-3618 | |
| 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.

Suggestions for the Tax Alert?

Please contact:

Maine Revenue Services P.O. Box 1060 Augusta, ME 04332-1060