

Schedule 1040C-ME Instructions (continued)

Line Instructions.

Line 1. Calculate the composite income by entering the sum of positive amounts of Partner/Shareholder Maine Income for each partner/shareholder participating in the composite return. Do not include losses (negative amounts) when calculating composite income. See Form 941P-ME for more information on how to calculate the Maine income for each partner/shareholder.

Line 2. Multiply the income reported on line 1 by 8.5% (0.085). Enter this amount on line 2 and on the composite return, Form 1040ME, line 20. No Maine income modifications are allowed.

For further guidance, see MRS Rule 805.

Complete Form 1040ME as follows:

For Tax Period. If other than the calendar year, enter begin and end dates for the year.

Your Social Security Number. Enter the entity EIN in a social security number format. Enter the entity name under Your Last Name.

Work Phone Number. Contact person phone number.

Mailing Address. Complete mailing address of the business entity.

Filing Status. Check Single and Composite Return.

Residency Status. Check nonresident.

Line 14. Enter composite income from Schedule 1040C-ME, line 1.

Line 19. Enter the same amount as entered on line 14.

Line 20. Enter the amount from Schedule 1040C-ME, line 2.

Line 23. Enter the same amount as entered on line 20.

Line 24. Use Maine Form 1040ME, Schedule A to calculate qualifying business credits that participating members may be eligible to claim. Credits that require an income modification, such as the Maine Capital Investment Credit, and non-business credits, such as the Child Care Credit, do not qualify. The Credit for Contributions to a Family Development Account also does not qualify. The amounts allocated to participating members may be claimed in their entirety, subject to limitations and carryover provisions. Attach a copy of Schedule A to the return. See MRS Rule 805, Section 5, for more information.

Line 26. Subtract line 24 from line 23 and enter net tax amount.

Line 27. Enter amount from line 26.

Lines 28a-e. If participating eligible persons have 1099s with Maine withholding, then enter the withheld amount on line 28a (copies of the 1099s must be attached to the return). Enter the total amount of estimated tax payments, credit carried forward from the prior tax year, payment made with extension and any Real Estate Withholding tax payments allocated to participating eligible persons on line 28b. On line 28c, enter the refundable portion of the rehabilitation of Historic Properties Tax Credit related to the nonresident members participating in the composite filing. Leave line 28d blank. Enter the sum of lines a through c on line 28e.

Line 29. If total payments are more than net tax, enter the amount of overpayment on this line. Skip to line 33.

Line 30. If net tax is greater than total payments, enter the amount of underpayment on this line. Skip to line 35.

Line 33. Enter the amount from line 29.

Lines 34a-b. Enter the amount to be carried forward on line 34a. Enter any amount to be refunded on line 34b.

Lines 35a-c. Enter the amount from line 30 on line 35a. Enter on line 35b any underpayment penalty (attach Form 2210ME). Be sure to check the box if you used the annualized income installment method of calculating the underpayment of estimated tax penalty. Enter the total of lines 35a and 35b on line 35c.

Enclose with the composite return (Form 1040ME) a copy of federal Form 1120S, pages 1-4 or federal Form 1065, pages 1-5 and a copy of the Maine Worksheet for Composite Filing (Schedule 1040C-ME).

Does a pass-through entity filing a composite return have to withhold or pay estimated tax?

Pass-through entities doing business in Maine are generally required to withhold income taxes from nonresident owners' distributable income that is apportionable to Maine. However, the withholding is not required for owners participating in a composite filing, provided that the entity does the following:

- Collects a Nonresident Member Affidavit and Agreement to Participate in a Composite Filing of Maine Income Tax (Form 941CF-ME) from each nonresident eligible person who wants to participate in the group filing. This statement must be obtained prior to the withholding due date otherwise applicable to the member.
- Makes estimated payments (Form 1040ES-ME) on behalf of the composite filing group as long as the aggregate Maine income tax liability is greater than \$1,000. All participants in the composite return are grouped together and treated as one filer for estimated tax purposes. If the tax liability of the composite group is anticipated to exceed \$1,000, the entity must make four equal estimate payments in order to avoid the penalty for the understatement of estimated tax; and
- Files Form 941P-ME with Schedule 3P completed.
- Files a composite return.

An entity meeting all of the requirements above, should not have withheld from the members participating in the composite filing. However, if the entity inadvertently withheld amounts from the participating members, it may claim a withholding credit for the amount withheld. To do so, the entity must attach member copies of Form 1099ME to the composite return.

For more information, see the instructions to Form 941P-ME, available on the MRS web site at www.maine.gov/revenue.