



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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Public Communications Tel: (207) 626-8465

Credit for Taxes Paid to Another Jurisdiction - Massachusetts

The starting point for the 1040ME Schedule 3 credit (credit for taxes paid to another jurisdiction) is the Maine adjusted gross income. Credit is allowed based on the percentage of income taxed by the other jurisdiction that is included in that figure. The policy of Maine Revenue Services is to find the equivalent to Maine adjusted gross income on the return filed with the other jurisdiction. The word equivalent is emphasized, because no two states have exactly the same income modifications.

After reviewing the Massachusetts nonresident or part-year resident tax return, it has been determined that Massachusetts requires the filer to report all income taxed at 5.6% from Massachusetts sources or income earned as a resident of that state. The 5.6% income is reduced by certain allowable deductions which, according to the instructions “differ from itemized deductions on Schedule A of U.S. Form 1040.”

These deductions include: (1) the amount paid to Social Security, Medicare, Railroad Retirement, United States or Massachusetts Retirement System limited to \$2,000 each per taxpayer and spouse; (2) expenses for the care of a child under 13 or a disabled dependent/spouse, or a deduction for a dependent member of the household under age 12; (3) 50% rental deduction (limited); and, (4) other Massachusetts Schedule Y deductions. Schedule Y deductions are made up in part by the adjustments to federal income; e.g., alimony paid, medical savings account deduction, and student loan interest deduction. Also included in the Massachusetts Schedule Y are allowable employee business expenses which should not be classified as an income modification because they may be claimed as an itemized deduction for federal purposes and flow through as such to the Maine return if the taxpayer otherwise qualifies. All of the deductions are limited for the nonresident or part-year resident either by the income earned in Massachusetts or the number of days spent in Massachusetts.

The amount that may be included on line 2 of Maine Schedule 3 is equal to the income derived from sources in the other jurisdiction that is (1) subject to income tax in that jurisdiction, and (2) analogous to “Maine adjusted gross income” (federal adjusted gross income plus or minus income modifications). The amount is exclusive of standard/itemized deductions and personal exemption amounts.

While the deductions on the Massachusetts return are not the same as on the Maine return, they are similar in nature, with the exception of employee business expenses. Therefore, Maine Revenue Services recognizes income from the following Massachusetts income categories as the

equivalent to Maine adjusted gross income in the credit calculation: (1) 5.6% Income After Deductions increased by any business expense deduction included in Schedule Y; (2) Interest and Dividend Income; (3) 12% Income; and (4) Adjusted Long-Term Capital Gains from Schedule D, Columns A, B, C, D & E.

New Delayed-Payment EFT Option

Taxpayers who file electronically now have the option of delaying their EFT payment until the due date of the return by requesting an electronic funds withdrawal payment (ACH debit) with a settlement date set in the future. This gives taxpayers the opportunity of filing returns early while postponing payment until it is actually due. The delayed-payment option is currently available for Internet-filed sales tax and 1040 returns and for 1040 returns filed electronically through a tax professional or with approved tax software. The delayed-payment option is expected to be available for combined quarterly returns for withholding and unemployment tax by mid-2002. A short-term delayed payment is available to taxpayers who use Maine Revenue Service's telephone payment system, also referred to as "TeleDebit", which allows a settlement date up to 15 days in the future.

Treasury Offset Program

Maine Revenue Services participates in the United States Treasury Offset Program (TOP). This program offsets federal income tax refunds of taxpayers who have a balance due to the State of Maine. Tax practitioners should be aware that taxpayers who owe the State of Maine personal income tax or withholding tax might have their federal refund offset and applied to the debt. Because the account is "flagged" by the Internal Revenue Service these taxpayers may experience delays while applying for the quick or instant refunds offered by tax preparers.

Business Equipment Tax Reimbursement (BETR) Program Application Deadline: April 1, 2002

The annual application for reimbursement for eligible personal property taxes assessed on or after April 1, 2001 and paid by December 31, 2001 must be filed with Maine Revenue Services no later than April 1, 2002. An extension of time to file through May 31, 2002 may be granted for "good cause." The extension request must be made in writing to Maine Revenue Services, PO Box 9107, Augusta ME 04332-9107 by April 1, 2002. The extension request must specify the personal property tax payment date and the reason an extension is needed.

Application forms can be downloaded at www.state.me.us/revenue (*select Forms/Publications*) or by calling 207-624-7894.

Suggestions for the Tax Alert?
Please contact: Public Communications

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

Angus S. King, Governor

**Janet E. Waldron, Commissioner
Administrative and Financial Services**

**Anthony J. Neves, Executive Director
Maine Revenue Services**

<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	
Central Registration	(207) 287-2338	(207) 287-3733	
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@state.me.us
Corporate Tax	(207) 624-9670	(207) 287-6627	corporate.tax@state.me.us
E-file Help Desk	(207) 624-9730	(207) 624-9740	efile.helpdesk@state.me.us
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	efunds.transfer@state.me.us
Estate Tax	(207) 626-8480	(207) 624-9694	income.tax@state.me.us
Fuel Tax	(207) 624-9745	(207) 287-6628	fuel.tax@state.me.us
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@state.me.us
Insurance Premium Tax	(207) 624-9582	(207) 624-9694	
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	
Payment Plan/Other	(207) 624-9595	(207) 287-6627	
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2011	(207) 287-6396	prop.tax@state.me.us
Public Communications	(207) 626-8465	(207) 287-3618	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@state.me.us
Taxpayer Advocate	(207) 624-9649	(207) 624-9694	
TTY Service	(207) 287-4477	-----	
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@state.me.us

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24 State House Station
Augusta ME 04333-0024
Return Service Requested