



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 17, No. 6

October, 2007

Public Communications Tel: (207) 626-8478

New Rule 104 - Electronic Filing of Maine Tax Returns

MRS is proposing to adopt new Rule 104, which mandates electronic filing of certain Maine tax returns if specified thresholds are exceeded. A phase-in approach is being proposed with respect to certain returns filed on or after January 1, 2008. The rule would apply to original Maine individual income, sales, use, service provider and income tax withholding returns prepared by tax return preparers, but would not include amended versions of those returns.

An employee of a tax return preparer is not considered a tax return preparer by definitions of the proposed rule and therefore the threshold amounts apply to the tax return preparers and not the employee individually.

The proposed threshold for individual income tax returns would be based on the number of returns prepared in the previous calendar year. If the number of original Maine individual income tax returns prepared by a preparer is more than 200 in calendar year 2007, then the requirement to file by electronic data submission would be 85% of returns prepared in 2008. If the number of original Maine individual income tax returns prepared by a preparer is more than 100 in calendar year 2008, then the requirement to file by electronic data submission would be 90% of returns prepared in 2009. If the number of original Maine individual income tax returns prepared by a preparer is more than 50 in a calendar year after 2008, then the requirement to file by electronic data submission would be 95% of returns prepared in the following calendar year.

For sales, use and service provider taxes, the proposed thresholds would be based on tax liability for the 12-month period ending the prior September 30. If the tax liability for any one of these taxes exceeds \$200,000 for the 12-month period ending September 30, 2007, then the electronic filing requirement would apply in calendar year 2008. If the tax liability for any one of these taxes exceeds \$100,000 for the 12-month period ending September 30, 2008, then the electronic filing requirement would apply in calendar year 2009. If the tax liability for any one of these taxes exceeds \$50,000 for any 12-month period ending September 30 thereafter, then the electronic filing requirement would apply in the following calendar year.

For income tax withholding, the proposed threshold for mandatory electronic filing in calendar year 2008 would be 75 or more employees, or in the case of third party filers and payroll processors, 75 or more (client) employers. The same threshold would similarly apply to non-wage payers and pass-through entities. In all cases, the threshold would be reduced to 50 for calendar years after 2008.

For all taxes, the electronic filing requirement would cease to apply if the taxpayer or preparer falls below the specified thresholds in subsequent years.

The rule includes provisions for the State Tax Assessor to waive the requirement to file electronically where this causes undue hardship. The proposed rule may be seen on the MRS website at www.maine.gov/revenue (select Laws and Rules). The Secretary of State is expected to formally publish the proposed rule on October 24, 2007, and the formal public comment period is expected to extend to November 30, 2007. Written comments should be directed to Nanette Ardry, 24 State House Station, Augusta, ME 04333 or via e-mail to nanette.m.ardry@maine.gov.

Amendments to Rule 102 - Electronic Funds Transfer

MRS is proposing to adopt amendments to Rule 102, relating to requirements to remit taxes via Electronic Funds Transfer. Effective January 1, 2008, EFT thresholds would be based on the taxpayer's *combined* tax liability to the state for all taxes collected by the Bureau, except property taxes and commercial forestry excise taxes. Also effective January 1, 2008, taxpayers having a total combined tax liability of \$100,000 or more during lookback periods ending in 2007 would be required to remit taxes via EFT. Effective January 1, 2009, the EFT threshold would be reduced to \$50,000 and, for years after 2009, the threshold would be \$25,000. The proposed amended rule may be seen on the MRS website at www.maine.gov/revenue (select Laws and Rules). The Secretary of State is expected to formally publish the proposed rule on October 24, 2007, and the formal public comment period is expected to extend to November 30, 2007. Written comments should be directed to Nanette Ardry, 24 State House Station, Augusta, ME 04333 or via e-mail to nanette.m.ardry@maine.gov.

Amendments to Rule 803 - Withholding Tax Reports and Payments

MRS is proposing technical changes to Rule 803 to accommodate the proposed Rule 104 and proposed amendments to Rule 102. The proposed rule changes may be seen on the MRS website at www.maine.gov/revenue (select Laws and Rules). The Secretary of State is expected to formally publish the proposed rule on October 24, 2007, and the formal public comment period is expected to extend to November 30, 2007. Written comments should be directed Nanette Ardry, 24 State House Station, Augusta, ME 04333 or via e-mail to nanette.m.ardry@maine.gov.

Business Equipment Tax Exemption Program

Most business property placed in service in Maine after April 1, 2007 will qualify for a property tax exemption under the Business Equipment Tax Exemption (BETE) Program. However,

certain retail property will not qualify for the exemption, but may instead qualify for reimbursement of property taxes under the Business Equipment Tax Reimbursement (BETR) Program. Maine Revenue Services has developed a guidance document to clarify the retail property that qualifies for each program. The document, "Guidance: Retail Business Equipment," may be viewed at www.maine.gov/revenue/propertytax.

Comments or suggestions should be directed to the Maine Revenue Service Property Tax Division at prop.tax@maine.gov.

<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	
Appellate	(207) 624-9854	(207) 287-3294	
Central Registration	(207) 621-5129	(207) 287-3733	division.uctax@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
Economic Research	(207) 624-9789	(207) 287-3618	
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 624-9740	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6627	efunds.transfer@maine.gov
Estate Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel Tax	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
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) 287-2013	(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) 624-9628	(207) 287-6627	
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.

STATE OF MAINE

John Elias Baldacci, Governor

Rebecca M. Wyke, Commissioner
Administrative and Financial Services

Jerome D. Gerard, Acting Executive
Director, Maine Revenue Services

Suggestions for the Tax Alert?

Please contact: Public Communications (207) 626-8478
Maine Revenue Services
24 State House Station
Augusta, Maine 04333-0024