

# MAINE 2001

## Instructions for: **FORM 1041ME**

### TRUSTS & ESTATES (FIDUCIARY) INCOME TAX

#### IMPORTANT CHANGES

**Individual income tax rate schedules.** 36 M.R.S.A. §§ 5111, 5402 & 5403. An income tax is imposed on estates and trusts at the same rates imposed on resident individuals. The manner of adjusting the individual income tax rate schedules has been changed. The rate schedules for tax years beginning in 2001 and 2002 are established by statute. The rate schedules for 2001 are the same as those in effect for 2000. For tax years beginning on or after January 1, 2003, the rate schedules will be adjusted for the full value of the cost-of-living adjustment; under prior law, the schedules were adjusted for inflation only if the rate of inflation exceeded 3.5%. Also, the annual adjustment determined each September will now apply to tax years beginning in the subsequent calendar year; previously, the adjusted schedules applied retroactively to tax years beginning in the same calendar year in which the adjustments were made.

**Pension benefits income deduction: Military pensions.** 36 M.R.S.A. § 5122(2)(M). Military pension benefits are now fully deductible up to \$6,000. Military pension benefits include benefits received as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines, or Coast Guard. Other employer-sponsored pension benefits are deductible up to \$6,000 less any social security or railroad retirement benefits received during the taxable year. Individuals receiving both a military pension and other eligible pension benefit may claim a total pension deduction of not more than \$6,000. Applies to tax years beginning on or after January 1, 2001.

For **DOWNLOADABLE FORMS**, visit our Web site: [www.state.me.us/revenue](http://www.state.me.us/revenue).

# GENERAL INSTRUCTIONS

## WHO MUST FILE

The fiduciary or trustee of a **resident** estate or trust must file Form 1041ME if the estate or trust is required to file a federal income tax return for the taxable year.

The fiduciary or trustee of a **nonresident** estate or trust must file Form 1041ME if the estate or trust has income or gain derived from Maine sources. (See instructions for nonresident estates or trusts on page 6.)

**In all cases, a completed copy of federal Form 1041 must accompany the Maine nonresident return.**

## DEFINITION OF RESIDENT AND NONRESIDENT ESTATE OR TRUST

Trusts registered with the Maine Probate Court under the provisions of 18-A M.R.S.A. § 7-101 are subject to Maine income tax as resident trusts. Otherwise, domicile of the decedent, grantor or settlor determines residency. Situs of the trust instrument, the property held in trust, the location of the trustees, the adoption of the laws of any state in the governing instrument are irrelevant for the purpose of determining residency.

A resident estate is the estate of a decedent who, at death, was domiciled in Maine. A resident testamentary trust is a trust which is created by the last will and testament of a decedent who, at death, was domiciled in Maine. Any estate or testamentary trust created by the will of a decedent who was not domiciled in the State of Maine at death shall be considered a nonresident estate or nonresident testamentary trust.

A resident irrevocable inter vivos trust is a trust which was created by or consisted of property of a person domiciled in Maine at the time it was funded. An irrevocable inter vivos trust will be classified as a nonresident trust if the creator of the trust is not domiciled in Maine when funded.

If the settlor of a revocable inter vivos trust is domiciled in Maine when the trust is created, the trust is considered a resident inter vivos trust until the settlor becomes domiciled in another state. A nonresident revocable inter vivos trust will become a resident trust if and when the creator of the trust becomes domiciled in Maine.

## QUALIFIED FUNERAL TRUST

If you meet the criteria of a qualified funeral trust at the federal level, you can file using the same status for Maine purposes. Make sure to check the appropriate box on page one of the return. For a combined return, a schedule must be attached. The schedule must list Maine net income, Maine income tax, name, and social security number for each beneficiary, as well as indicating whether or not the beneficiary is a resident of Maine. Since each beneficiary is considered a separate trust, Maine income tax must be calculated separately for each beneficiary. The total tax for all beneficiaries is then entered on line 4 of Form 1041ME.

## BANKRUPTCY

For bankruptcy estates (chapter 7 or 11), use Form 1041ME as a transmittal for Form 1040ME. In the top margin of Form 1040ME, write "attachment to Form 1041. DO NOT DETACH." Complete the name, address, and identification information at the top of Form 1041ME. Then complete Form 1040ME through line 26. Enter the amount from Form 1040ME, line 26 on line 4 of Form 1041ME, then follow the instructions for completing lines 5 - 10 on Form 1041ME.

## WHEN TO FILE

The due date is April 16, 2002 for returns filed for the calendar year 2001 and the 15th day of the fourth month following the close of the taxable year for returns filed for a year ending other than on December 31, 2001.

## EXTENSIONS

A State of Maine extension request form is no longer required. If you are unable to file your return by the original due date of the return, Maine allows an automatic six-month extension of time to file. **Caution: An extension to file your Maine return is not an extension for payment of tax.** If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax. The remaining 10% must be paid when the return is filed by the extended due date in order to avoid the failure to pay penalty. However, interest is charged on any tax paid after the original due date of your return.

Remit your estimated tax payment with the payment voucher (available at [www.state.me.us/revenue](http://www.state.me.us/revenue) or by calling 207-624-7894) by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9108, Augusta, ME 04332-9108.

## INTEREST AND PENALTIES

Interest will be added each month on overdue tax until the entire tax amount is paid. Beginning January 1, 2002, the interest rate is 8% per year, compounded monthly. Prior to January 1, the interest rate was 9%. In addition to interest, a penalty is assessed for late filing. A separate penalty is assessed for the late payment of tax. The penalty for late filing is \$25 or 10% of the tax due, whichever is greater. If a tax return is not filed upon demand, the penalty for late filing is 100% of the tax due. The penalty for late payment of the tax is 1% per month up to a maximum of 25%. Both penalties are assessed when the return is filed late and the tax is paid late. The law also provides for penalties for the underpayment of estimated tax, for preparing or filing a fraudulent income tax return, and for the understatement of income.

## WHOLE DOLLAR AMOUNTS

Money items may be shown as whole dollar amounts. Drop any amount under 50 cents and increase any amount 50 cents through 99 cents to the higher dollar amount.

## ACCOUNTING PERIODS AND METHODS

For Form 1041ME, the accounting period and the method of accounting used are the same as those for federal tax purposes. If the taxable year or method of accounting is changed for federal income tax purposes, such change also applies to the state return.

## REPORT OF CHANGE IN MAINE TAXABLE INCOME

If the amount of the federal taxable income is changed or corrected by the Internal Revenue Service, or if the Maine tax liability changes for any other reason, the fiduciary must report the changes on an amended Maine return within 90 days after the final determination of such change. Any fiduciary filing an amended federal income tax return must also file an amended Maine return within 90 days. Failure to comply with these requirements could result in failure to file and pay penalties. To file an amended return, use Form 1041ME for the year(s) you are amending and check the "amended return" box at the top of the form. Attach a statement explaining the changes and a copy of your federal amended return or Internal Revenue agent's report to the Maine amended return.

## PAYMENT OF ESTIMATED TAX

Estates and trusts subject to Maine income tax are required to make installment payments of estimated tax if the estimated tax liability is \$1,000 or more. Generally, payments must be made in four equal installments due on April 15, June 15, September 15, and January 15. If you are subject to this requirement, read the instructions for Form 1041ES-ME available online at [www.state.me.us/revenue](http://www.state.me.us/revenue), or request estimated tax forms for fiduciaries by calling 207-624-7894.

**Note: Maine's trust/estate 1041ES-ME filing requirements differ from federal requirements in that Maine 1041 estimate payments must be made after the first year filing. 36 M.R.S.A. § 5228.**

## SIGNATURE

Any person who prepares a taxpayer's return for compensation must also sign and enter his or her social security number or PTIN as assigned by the IRS. If the return is prepared by a firm or corporation, the federal identification number of the firm must also be listed.

## INFORMATION

MRS Web site: [www.state.me.us/revenue](http://www.state.me.us/revenue)

MAINE REVENUE SERVICES

INCOME/ESTATE TAX DIVISION

PO BOX 9108

AUGUSTA, ME 04332-9108

ASSISTANCE: (207) 626-8475 MONDAY-FRIDAY, 8 A.M. - 5 P.M.

ORDER FORMS BY CALLING: (207) 624-7894

# MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services (“MRS”) maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. 36 M.R.S.A.

§ 191. Communications that do not meet the definition of tax information are subject to the general confidentiality and public inspection provisions of Maine’s “Freedom of Access” laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.

## SPECIFIC INSTRUCTIONS

(Please show negative income amounts on your form by placing a minus sign in the box to the left of the amount.)

### RESIDENT ESTATE OR TRUST ONLY

(nonresident estates or trusts, see instructions on Schedule NR)

**Line 1. Federal Taxable Income.** Enter the amount of taxable income shown on federal Form 1041 plus the amount of unrelated business taxable income from federal Form 990-T (if applicable).

**Line 2. Fiduciary Adjustment.** The fiduciary adjustment is determined on Schedule 1 and allocated in accordance with Schedule 2 on page 2 of the form. If the trust/estate had income from U.S. Treasury obligations, etc. or tax exempt income from non-Maine municipal bonds, these schedules should be completed before proceeding with page 1. Detailed instructions for the schedules follow.

**Line 3. Maine Taxable Income.** Add or subtract line 2 to or from line 1 (depending upon whether the fiduciary adjustment is positive or negative) and enter the amount on this line. If there is no fiduciary adjustment, enter the amount shown on line 1.

**Line 4. Maine Income Tax.** Compute the tax on the amount shown on line 3 by using the following table:

TAX RATES	
If the taxable income is:	The tax is:
Less than \$4,150	2.0% of the taxable income
\$4,150 but less than \$8,250	\$83 plus 4.5% of excess over \$4,150
\$8,250 but less than \$16,500	\$268 plus 7.0% of excess over \$8,250
\$16,500 or more	\$846 plus 8.5% of excess over \$16,500

This tax rate schedule is effective for tax years beginning in 2001.

**Line 8. Tax Balance Due.** Any balance of tax liability should be paid in full with the return. Make check payable to Treasurer, State of Maine and mail with the return. Please write the federal estate or trust identification number on the check.

If the amount owed (line 6 minus line 7a) is \$1,000 or more, complete Form 2210ME and attach it to the return. If Form 2210ME shows a penalty amount due, enter it on line 8b and submit payment for the entire balance.

**Line 10a. Amount of Line 9 You Want Credited.** Use this block only if electing to have all or a portion of the overpayment on line 9 credited to next year’s estimated tax.

**Line 10b. Refund.** Enter the difference between lines 9 and 10a. Refunds of \$1.00 or more will be issued.

### SCHEDULE 1 – FIDUCIARY ADJUSTMENT (Enter gross amounts).

**Line 1a. Income from municipal and state bonds, other than Maine.** Enter the income from municipal and state bonds associated with locations outside Maine that is not included in federal taxable income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds. **NOTE:** Also include adjustments for the taxpayer’s distributive share of such items from partnerships, S Corporations and trusts.

**Line 1b. Net Operating Loss Recovery Adjustment.** Enter on this line:  
(a) The amount of net operating loss for this taxable year that is being carried back to previous taxable years pursuant to the United States Internal Revenue Code, Section 172;  
(b) Any amount of net operating loss that has been previously used to offset the modifications provided by 36 M.R.S.A. § 5122(1).

**Line 1c. Maine State Retirement Contributions.** Enter the amount of 2001 Maine State Retirement Contributions on this line. To calculate this amount, subtract federal wages from state wages appearing on the State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

**Line 1d. Fiduciary Adjustment.** If applicable, enter the estate’s/trust’s share of the fiduciary adjustment of another estate/trust – additions only (36 M.R.S.A. §§ 5122(3) and 5164).

**Line 1e. Other.** Enter the amount of loss, deductions, and other expenses of a financial institution subject to Maine franchise tax that are included in federal taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Also enter on this line income taxes imposed by Maine or other states and interest or expenses incurred in the production of income exempt from Maine taxation deducted in arriving at federal taxable income.

**Line 2a. U.S. Government Bond Interest.** Enter income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds, U.S. Treasury bills and notes. Include on this line only the amount of interest included in federal taxable income.

**Line 2b. Social Security and Railroad Retirement Benefits included in Federal Taxable Income.** Social Security benefits and Railroad Retirement benefits issued by the U.S. Railroad Retirement Board are not taxed by the State of Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable to Maine.

**Line 2c. Interest from Maine Municipal General Obligation Bonds included in Federal Taxable Income.** There may be interest from Maine Municipal General Obligations included in federal taxable income. Interest

## SPECIFIC INSTRUCTIONS, continued

from these bonds is exempt from Maine income tax. If interest of this type is included in federal taxable income, enter that amount on this line.

**Line 2d. Premiums for Long-Term Care Insurance.** Enter on this line premiums paid for long-term care insurance. For tax years beginning on or after January 1, 2000, taxpayers may reduce Maine taxable income for premiums paid for long-term care insurance if the policy meets the federal definition for long-term care insurance contracts. 36 M.R.S.A. § 5122(2)(L). Premiums paid on long-term care insurance policies previously certified by the Bureau of Insurance as being eligible for this deduction will continue to be eligible even if the policy does not meet the federal definition for a long-term care insurance contract. The premiums claimed as a deduction under this provision must be reduced by premiums claimed as Maine itemized deductions.

**Line 2e. Maine State Retirement System Pick-Up Contributions.** Enter contributions paid that have been previously taxed by the state. Use this line only if the person retired after 1988 and received retirement benefits from the Maine State Retirement System in 2001. To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the last check stub of the pension check received from the Maine State Retirement System in 2001.

**Line 2f. Federal Work Opportunity Credit.** Enter on this line the amount equal to the federal Work Opportunity Credit.

**Line 2g. Other Deductions.** Enter on this line Maine Lottery or Tri-State Lottery winnings received in 2001 and won prior to January 1, 1987, account proceeds from a Family Development Account administered by FAME (36 M.R.S.A. § 5216-C), state income tax refunds, net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, earnings from fishing operations that were contributed to a capital construction fund, withdrawals from Qualified State Tuition Programs established pursuant to 20-A M.R.S.A. § 11479 that were used for paying higher education expenses, income from investments in the Northern Maine Transmission Corporation, and the estate's/trust's share of a fiduciary adjustment – subtractions only (36 M.R.S.A. §§ 5122(3) and 5164). Enter interest income and capital gains from the sale of bonds issued by the Waste Management Agency to the extent included in federal taxable income. Also enter on this line all items of income, gain, interest, dividends, royalties, and other items of income of a financial institution subject to the Maine franchise tax that are included in federal taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Except for net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, enter only amounts included in federal taxable income. Enter up to \$6,000 in pension income pursuant to 36 M.R.S.A. § 5122(2)(M). Also enter on this line expenses incurred in the production of income subject to Maine tax, but exempt from federal tax. An example is expenses related to the production of non-Maine municipal bond interest. In addition, enter on this line amounts received from a Holocaust victims settlement (*see* 36 M.R.S.A. § 5122(2)(O)).

**Line 3. Net Fiduciary Adjustment.** If the trust/estate's share of distributable net income is 100%, enter the amount from this line on line 2, page 1 of the form. If the trust/estate's share of distributable net income is less than 100%, multiply the net fiduciary adjustment by the percentage on Schedule 2, Column 3, line f. Enter the result here and on page 1 of the form, line 2. The shares of the beneficiaries and of the trust/estate in the Maine fiduciary adjustment are in proportion to their respective shares of federal distributable net income of the estate or trust.

### SCHEDULE 2 – ALLOCATION OF FEDERAL INCOME AND MAINE-SOURCE INCOME.

The purpose of this schedule is to show the distribution of federal income and Maine-source income among the beneficiaries and the trust/estate of the trust or estate.

**Column 1.** Enter the name of each beneficiary of the trust or estate, including nonresident beneficiaries. Enter the trust/estate name on line f.

**Column 2.** Enter the respective shares of federal distributable net income of each beneficiary and the trust/estate on the appropriate lines.

**Column 3.** Determine the percentage share for each beneficiary and for the trust/estate based on the amounts in column 2. Use the percentage on line f to determine the fiduciary adjustment on Schedule 1, line 3.

**Columns 4 and 5.** Enter the state of domicile and the social security number/EIN of each beneficiary of the estate or trust, including nonresident beneficiaries.

**Column 6. Nonresident estates or trusts** enter on line g, column 6, the amount from Schedule NR, line 4, column B. Complete lines a - f. Apportion line g among all the beneficiaries (resident and nonresident) and the estate or trust in proportion to their respective shares of federal distributable net income. The amounts allocated have the same character as for federal purposes.

If the estate or trust has no federal distributable net income, the share of each beneficiary in the Maine-source income is in proportion to his share of the estate or trust income for the taxable year, including that which is required by local law of the governing instrument to be distributed in such year. Any balance of the modified Maine-source income not allocable to beneficiaries shall be allocated to the estate or trust. If the shares in the modified Maine-source income are apportioned in accordance with this paragraph, show the apportionment in a schedule attached to the return.

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### SCHEDULE 3 – CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION.

Resident trusts and estates may claim a credit against Maine income tax for income tax paid to another jurisdiction if all the following conditions are met:

- (1) The other jurisdiction is another state, a political subdivision thereof, the District of Columbia, Canadian Province or any political subdivision of a foreign country that is like a state of the United States.
- (2) The tax paid to the other jurisdiction is directly related to the income received during the tax year covered by this return. Tax payments made to other taxing jurisdictions for prior year tax liabilities cannot be considered when computing this credit.
- (3) The income taxed by the other jurisdiction is derived from sources in that jurisdiction.

Line 4b is the income tax assessed by the other jurisdiction minus any tax credits (except withholding and estimated tax payments).

Complete a separate Schedule 3 for each jurisdiction to which taxes are paid and for which a credit is being claimed. Enclose a copy of each Schedule 3 completed. Add the credits together and enter the total on Schedule A, line 4. **Attach a copy of the income tax return filed with the other jurisdiction.**

# SCHEDULE A – MAINE TAX ADJUSTMENTS

## SECTION 1 - TAX ADDITIONS:

**Line 1. RETIREMENT PLAN DISTRIBUTIONS.** If you choose to compute a separate federal tax on a lump-sum distribution from a retirement plan, you are subject to an additional Maine tax equal to 15% of the federal tax. **NOTE:** Distributions relative to Maine State Retirement System contributions previously taxed by Maine are not subject to this special tax.

**Line 2. MAINE MINIMUM TAX.** If you are required to complete federal Schedule I of federal Form 1041, you must complete and enclose the Maine Minimum Tax Worksheet available at: [www.state.me.us/revenue](http://www.state.me.us/revenue), or by calling 207-624-7894.

## SECTION 2 - TAX CREDITS:

An estate or trust is allowed a credit against the tax imposed by 36 M.R.S.A. § 5160 in an amount equal to the trust/estate's share of tax credits described in 36 M.R.S.A. §§ 5215-5219-S.

**Line 4. CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION.** This credit is computed on Schedule 3 (Form 1041ME, page 2). 36 M.R.S.A. § 5217-A.

**Line 5. MAINE SEED CAPITAL TAX CREDIT.** The Finance Authority of Maine administers this program. The Authority issues a tax credit certificate after verifying the eligibility of the investor. The estate/trust must enclose a copy of the certificate with Schedule A, Form 1041ME when requesting a tax credit under this program. This credit is limited to 50% of the Maine income tax due. Carryover provisions apply. 36 M.R.S.A. § 5216-B.

**Line 6. EMPLOYER-ASSISTED DAY CARE TAX CREDIT.** An employer may claim a credit for providing day care services or for paying day care expenses of employees. This credit is limited to the lowest of \$5,000, 20 percent of the cost incurred, or \$100 per child enrolled on a full-time basis. It cannot exceed the Maine income tax due. The credit doubles if the child care services provided are quality child care services. Carryover provisions apply. 36 M.R.S.A. § 5217. Attach a schedule showing the computation of this credit.

**Line 7. INVESTMENT TAX CREDIT.** The credit applies to investments made after December, 1988 and prior to April 2, 1996. Certain limitations apply. See 36 M.R.S.A. § 5219-E.

**Line 8. FOREST MANAGEMENT PLANNING CREDIT.** Once every 10 years an estate/trust is allowed a credit of up to \$200 for expenses incurred in developing a forest management and harvest plan for a parcel of forest land which is more than 10 acres. A professional forester who is not in the regular employ of the owner must prepare the plan. The estate/trust claiming the credit must attach to the fiduciary income tax return a statement from the forester supporting the claim and affirm upon penalties of perjury that the credit has not been claimed in the previous 10 years. 36 M.R.S.A. § 5219-C.

**Line 9. EMPLOYER-PROVIDED LONG-TERM CARE BENEFITS CREDIT.** An employer may claim a limited credit for expenses incurred in providing long-term care policy coverage as part of an employee benefit package. The credit is limited to the lowest of \$5,000, 20 percent of the

cost incurred, or \$100 per employee covered. 36 M.R.S.A. § 5217-C. Enclose a schedule showing the computation of this credit.

**Line 10. JOBS AND INVESTMENT TAX CREDIT.** An estate/trust, other than a public utility, may claim a tax credit for qualified jobs and investment subject to limitations. Eligibility for the credit requires the addition of \$5 million of IRC § 38 Property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new employees in Maine during the 24 months after placing the property in service. This credit is limited to \$500,000 or the Maine income tax due, whichever is less. Jobs created between August 1, 1998 and October 1, 2001 must be covered by qualified retirement and health insurance plans and must have wages greater than the average per capita income in the labor market area in which the employee is employed. Carryover provisions apply. 36 M.R.S.A. § 5215. Attach a schedule showing the computation of this credit.

**Line 11. SOLID WASTE REDUCTION INVESTMENT TAX CREDIT.** Attach to the return a copy of the tax credit certificate(s) issued by the State Planning Office. The tax credit applies to equipment purchased and placed in service during the periods January 1, 1990 to June 30, 1991 or January 1, 1993 to June 30, 1995. Carryover provisions apply. 36 M.R.S.A. § 5219-D.

**Line 12. RESEARCH EXPENSE TAX CREDIT.** The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous three tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term "qualified research" is defined in IRC § 41(d). The credit is limited to the tax liability of the taxpayer. In the case of corporations, the credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. 36 M.R.S.A. § 5219-K.

**Line 13. RESEARCH & DEVELOPMENT SUPER CREDIT.** Businesses whose research expenses increase by more than 50% over the average research expenses incurred in the 3 years immediately preceding the effective date of the credit qualify for the credit. The credit is equal to the excess over 150% of the 3-year average. It is limited to 50% of the net income tax due after other credits and may not reduce the taxpayer's tax liability to less than the net tax liability in the preceding year after other credits. Carryover provisions apply. 36 M.R.S.A. § 5219-L.

**Line 14. HIGH-TECHNOLOGY CREDIT.** Businesses primarily engaged in high-tech activities and that lease, purchase and use, or purchase and lease computer equipment, electronic components and accessories, communications equipment or computer software placed in service in Maine and used in "high-technology activities" qualify. The credit is equal to the adjusted basis of eligible equipment for federal income tax purposes or the amount of lease payments made (by lessee) less any lease payments received for the eligible equipment during the tax year. The lessor may claim the credit only if the lessee waives entitlement to the credit. The reimbursement period for BETR must be reduced one year for each tax year the eligible equipment is included in the basis for the High-Technology Credit. Also, Maine taxable income must be increased by the amount of the investment credit base also claimed as a business expense for federal income tax purposes. The credit is limited to \$100,000 per tax year. Additional provisions apply. Carryover provisions apply. 36 M.R.S.A. § 5219-M.

**Line 15. MAINE MINIMUM TAX CREDIT.** Complete the Maine minimum tax credit worksheet. 36 M.R.S.A. § 5203-A(5). The worksheet is

## SCHEDULE A INSTRUCTIONS, continued

available as part of the Maine minimum tax worksheet for trusts/estates at: [www.state.me.us/revenue](http://www.state.me.us/revenue), or by calling 207-624-7894.

### **Line 16. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID.**

Employers that offer a qualified health benefit plan and that employ fewer than 5 employees may qualify for a credit equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. A taxpayer that employs 5 or more employees after qualifying for the credit may continue to qualify for the credit for another 2 years. The credit is limited to 50% of the income tax due. The credit is subject to additional restrictions. Enclose a schedule showing the computation of this credit. Carryover provisions apply. 36 M.R.S.A. § 5219-O.

**Line 17. CLEAN FUEL CREDIT.** The credit is 50% of expenditures made or incurred from January 1, 1999 to December 31, 2001 for construction, installation of, or improvements to any filling station or charging station located in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. From January 1, 2002 to December 31, 2005 the credit is 25% of these expenditures. Enclose a schedule showing the computation of this credit. The credit automatically expires January 1, 2006. 36 M.R.S.A. § 5219-P.

**Line 18. HISTORIC REHABILITATION CREDIT.** A taxpayer is allowed a credit equal to the amount of the federal credit including carryovers for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. The credit is subject to the same recapture provisions as under the Internal Revenue Code. The credit applies to tax years beginning on or after January 1, 2000. 36 MRSA § 5219-R.

**Line 19. FAMILY DEVELOPMENT ACCOUNT CREDIT.** Individuals whose family income is below 200% of the poverty level may open a family development account in connection with an approved community

development organization. Use of these funds include educational expenses, home and auto purchases or repairs, emergency expenses for basic needs, capital to start a business, and health care costs. Accounts are funded by deposits made by family members participating in the program and matching funds from community development organizations. Deposits to the fund are not exempt from tax; however, withdrawals (both principal and interest) are exempt from Maine income tax. 10 M.R.S.A. § 1077(4).

New legislation provides a credit to contributors to family development matching fund accounts. The credit per tax return is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. Maine itemized deductions must exclude any contributions claimed for this credit. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5216-C.

### **Line 20. QUALITY CHILD CARE INVESTMENT TAX CREDIT.**

Trusts/estates making certified quality child care investments of no less than \$10,000 qualify for a credit equal to \$1,000 each year for 10 years, plus \$10,000 at the end of the 10-year period. The credit is nonrefundable; however, unused credit amounts may be carried forward until exhausted. The Maine Department of Human Services (“DHS”), Office of Child Care and Head Start must certify eligible investments. Attach a copy of the certificate when claiming this credit. For questions about quality child care and the certification process, call DHS, Office of Child Care and Head Start at (207) 287-5099.

**Line 23. ALLOWABLE CREDITS.** These credits are not refundable. The total credits claimed cannot exceed the Maine Fiduciary Income Tax otherwise due for the taxable year.

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## SCHEDULE NR INSTRUCTIONS

A nonresident trust or estate is taxed only on the undistributed portion of distributable Maine-source income. The nonresident beneficiaries are taxed on their share of the distributable Maine-source income. Resident beneficiaries are taxed upon their entire share of the trust or estate income as though the trust or estate were resident.

**Lines 1a - 1g.** Enter in column A income, gain or loss as reported on the federal return. Enter in column B amounts derived from or connected with sources in Maine (see 36 M.R.S.A. § 5142 (nonresident taxable income) and MRS Rule 806 (nonresident individual income tax). Enter non-Maine source income in column C.

**Line 1h.** Add or subtract the income, gain, loss, or deductions which were recognized for federal income tax purposes but were not included in federal distributable net income (e.g., gain from sale of Maine real estate allocated to corpus would not be included in federal distributable net income, but would be added here).

**Line 3.** Enter the fiduciary adjustment (Schedule 1) pertaining to Maine-source income; however, no modification is made for income which is exempt from federal tax, but taxable to Maine to the extent that it is already included in federal distributable net income.

Complete Schedule 2, Form 1041ME, page 2.