

2005 MAINE MINIMUM TAX WORKSHEET

Use this Worksheet to complete:

Form 1040ME, Schedule A, Line 3a – Enclose a copy of your 2005 federal Form 6251



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Name(s) as shown on Form 1040ME

Your Social Security Number

_____-_____-_____-_____-_____-_____-

Do you owe a Maine Minimum Tax? The following individuals must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax: **1)** Individuals that have a federal alternative minimum taxable income on federal Form 6251, line 28; and, **2)** Individuals who do not have a federal alternative minimum taxable income on federal Form 6251, line 28, but who do have Maine addition income modifications (see the Maine Minimum Tax Worksheet for Line 2, lines 1a through 1k), the total of which is greater than the Maine minimum tax exemption amount (see line 4 below).

If you exceed these thresholds, you must file a Maine Minimum Tax Worksheet. See instructions and supporting worksheets.

1. Federal alternative minimum taxable income (Federal Form 6251, line 28) 1. _____
2. Modifications (May be a positive or negative number) - **See instructions** 2. _____
3. Maine tentative alternative minimum taxable income (line 1 plus or minus line 2). If zero or less, enter zero..... 3. _____
4. **Exemption.** Enter amount for your filing status shown below: 4. _____

If your filing status is:	and line 3 is not over:	Enter on line 4:
Single or Head of Household	\$112,500	\$33,750
Married filing Jointly or Qualifying Widow(er)	\$150,000	\$45,000
Married Filing Separately	\$75,000	\$22,500

If line 3 is more than the amount shown above for your filing status, see instructions.
5. Maine alternative minimum taxable income (subtract line 4 from line 3). If zero or less, enter zero 5. _____
6. Tentative minimum tax. **See instructions** 6. _____
7. **Nonresident and part-year resident** apportionment factor (Maine residents enter 100%) - **See instructions** 7. _____ %
8. Multiply line 6 by line 7, enter result here 8. _____
9. Maine income tax (Form 1040ME, line 20 less line 25) 9. _____
10. Alternative minimum tax (Subtract line 9 from line 8)..... 10. _____
11. Credit against the Maine minimum tax for minimum tax paid to other jurisdictions (For Maine residents only).
Enter line E from Worksheet below. 11. _____
12. Maine Minimum Tax (subtract line 11 from line 10 – if zero or less, enter zero. Enter result on 1040ME, Schedule A, line 3a) 12. _____

(Worksheet for line 11 above – **Maine residents only: Credit Against the Maine Minimum Tax** for tax paid to other jurisdictions)

- A. Taxpayer's Maine tentative alternative minimum taxable income (Line 3 above) A. _____
- B. Taxpayer's income included in Maine tentative alternative minimum taxable income derived from other jurisdiction B. _____
- C. Percentage of income taxed by other jurisdiction (Divide line B by line A)..... C. _____ %
- D. Limitation of credit:
 1. Maine alternative minimum tax (Line 10 above) multiplied by percent on line C D(1). _____
 2. Minimum tax paid other jurisdiction on income taxed under the Maine minimum tax D(2). _____
- E. Allowable credit, the lesser of lines D(1) or D(2). Enter here and on line 11 above E. _____

2005 MAINE MINIMUM TAX CREDIT AND CARRYFORWARD TO 2006 Worksheet for 1040ME, Schedule A, Line 15

Enclose a copy of 2005 federal Form 8801

13. Enter the amount from line 12 of the 2004 Maine Minimum Tax Worksheet..... 13. _____
14. Minimum tax credit carryforward from 2004 (2004 Maine Minimum Tax Worksheet, line 21) 14. _____
15. Enter 2004 net state minimum tax on federal exclusion items – From worksheet at www.maine.gov/revenue 15. _____
16. 2004 adjusted net state minimum tax (Line 13 plus line 14 minus line 15 – if zero or less, enter zero) 16. _____
17. Enter 2005 Maine income tax liability (2005 1040ME, line 20 plus line 21 [except minimum tax] minus line 22
minus line 24 [except minimum tax credit] minus line 25) 17. _____
18. Enter 2005 Maine tentative minimum tax (Line 8 above) 18. _____
19. Subtract line 18 from line 17 (If zero or less, enter zero) 19. _____
20. **Maine minimum tax credit:** Enter the lesser of line 16 or 19 here and on 1040ME, Schedule A, line 15..... 20. _____
21. **Maine minimum tax credit carryforward to 2006** (Subtract line 20 from line 16)..... 21. _____

NOTE: If you have a Maine minimum tax credit carryforward to 2006, keep a copy of the worksheet to submit with your 2006 Maine individual income tax return.

Maine Minimum Tax — Income Modification Worksheet for Line 2

Federal Alternative Minimum Taxable Income ("FAMTI") (from federal Form 6251, line 28):

1. ADDITIONS to federal alternative minimum taxable income.

- a. Income from municipal and state bonds, other than Maine to the extent not included in FAMTI above **1a** _____
- b Net Operating Loss Recovery Adjustment (See instructions. Attach a schedule showing your calculation).... **1b** _____
- c Maine State Retirement Contributions **1c** _____
- d Domestic Production Activities Deduction Add-back (See instructions)..... **1d** _____
- e Bonus Depreciation and Section 179 Add-back to the extent deducted in arriving at FAMTI (See instructions) **1e** _____
- f Health Savings Accounts Add-back (See instructions)..... **1f** _____
- g Other (See instructions). List the type and amount of income items included (attach a separate schedule, if necessary) _____ **1g** _____
- h Deductible costs included in FAMTI above (from Maine Schedule 2, line 5b), incurred in the production of Maine exempt income (See instructions) **1h** _____
- i Amounts deducted in arriving at FAMTI (from Maine Schedule 2, line 5c) that are also being claimed for the Family Development Account Credit on Maine Schedule A, line 18 **1i** _____
- j Any loss, deduction or other expense included in FAMTI attributable to income from an ownership interest in a flow-through entity financial institution..... **1j** _____
- k **Total additions** (Add lines 1a through 1j)..... **1k** _____

2. SUBTRACTIONS from federal alternative minimum taxable income.

- a U.S. Government Bond interest included in FAMTI above **2a** _____
- b Social Security and Railroad Retirement Benefits included in FAMTI above **2b** _____
- c Pension Income Deduction (from 1040ME, Schedule 1, line 2d)..... **2c** _____
- d Interest from Maine Municipal General Obligation & Private Activity Bonds included in FAMTI (See federal Form 6251, line 11)..... **2d** _____
- e Premiums for Long-Term Care Insurance (Do not include health insurance premiums on this line) (See instructions). **NOTE: If you itemize deductions, complete worksheet below** **2e** _____
- f Maine State Retirement System Pick-Up Contributions paid to the taxpayer during 2005 which have been previously taxed by the state **2f** _____
- g Federal Work Opportunity Credit/Empowerment Zone Credit Deduction (from Maine Schedule 1, line 2h) **2g** _____
- h **Fiduciary Adjustment-deductions only** (Attach a copy of your federal Schedule K-1) **2h** _____
- i Bonus Depreciation and Section 179 Recapture (See instructions) **2i** _____
- j Other. List (See instructions) (**Nonresidents and Part-year residents** - Do not enter non-Maine income) ... **2j** _____
- k Deductible costs of producing income exempt from federal alternative minimum tax, but subject to the Maine alternative minimum tax (from Maine Schedule 2, line 6) (See instructions)..... **2k** _____
- l **Total Subtractions** (Add lines 2a through 2k)..... **2l** _____

3. Net Modification (Subtract line 2l from line 1k — enter here and on Minimum Tax Worksheet, line 2 [May be a negative amount])..... **3** _____

Maine Minimum Tax — Worksheet for Line 2e above

For individuals claiming a deduction for long-term care insurance premiums. Complete this worksheet **only** if you claim Maine itemized deductions and federal Schedule A, line 4 is greater than zero or you are self-employed and federal Form 1040, line 29 is greater than zero.

- 1. Enter total amount of long-term care insurance premiums paid during 2005: \$
- 2. Enter amount from federal Schedule A, line 1 \$ _____
- 3. Enter amount of long-term care premiums included in line 2 above \$ _____
- 4. Divide line 3 by line 2 — . — — —
- 5. Enter amount from federal Schedule A, line 4 minus federal Form 6251, line 2 \$ _____ and multiply by percentage on line 4 above \$ _____
- 6. Enter the amount of long-term care insurance premiums included on federal Form 1040, line 29..... \$ _____
- 7. Subtract line 5 and line 6 from line 1. Enter result here and on Maine Minimum Tax - Income Modification Worksheet, line 2e above \$ _____

Maine Minimum Tax — Exemption Worksheet for Line 4

Note: If the amount on line 3 of your Maine Minimum Tax Worksheet is equal to or more than: \$247,500 if single or head of household; \$330,000 if married filing jointly or qualifying widow(er); or \$165,000 if married filing separately; your exemption is zero. **Do not** complete this worksheet; instead, on the Maine Minimum Tax Worksheet, enter the amount from line 3 on line 5 and go to line 6.

- a. Enter: \$33,750 if single or head of household; \$45,000 if married filing jointly or qualifying widow(er);
\$22,500 if married filing separately **a.** _____
- b. Enter the amount from line 3 of your Maine Minimum Tax Worksheet..... **b.** _____
- c. Enter: \$112,500 if single or head of household; \$150,000 if married filing jointly or
qualifying widow(er); \$75,000 if married filing separately..... **c.** _____
- d. Subtract line c from line b. If zero or less, enter -0-..... **d.** _____
- e. Multiply line d by 25% (.25) **e.** _____
- f. Subtract line e from line a. If zero or less, enter -0-. If this form is for a child under age 14, go to
line g below. Otherwise, **stop here** and enter this amount on line 4 of the Maine Minimum Tax Worksheet..... **f.** _____
- g. Child's minimum exemption amount **g.** \$5,850
- h. Enter the **child's earned income**, if any **h.** _____
- i. Add lines g and h..... **i.** _____
- j. Enter the **smaller** of line f or line i here and on line 4 of the Maine Minimum Tax Worksheet **j.** _____

MAINE MINIMUM TAX WORKSHEET INSTRUCTIONS

Do you owe a Maine Minimum Tax?

Resident, nonresident and part-year resident individuals must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax only if the total of Maine tentative alternative minimum taxable income ("AMTI") (federal Form 6251, line 28 plus Maine addition income modifications [see the Maine Minimum Tax Worksheet for line 2]) is greater than the applicable Maine minimum tax exemption amount shown below. Individuals not required to file federal Form 6251 must complete a pro forma to determine the federal alternative minimum taxable income amount for Maine purposes. Taxpayers that do not owe a Maine minimum tax are not required to file the Maine minimum tax worksheet with their Maine income tax return.

If your filing status is: _____ and Maine tentative Exemption is: _____
AMTI is not greater than:

Single or Head of Household	\$112,500*	\$33,750
Married filing Jointly			
or Qualifying Widow(er)	\$150,000*	\$45,000
Married Filing Separately	\$75,000*	\$22,500

*If the total of federal Form 6251, line 28 and Maine positive income modifications is greater than the income amounts shown in the table above, use the worksheet for line 4 to determine the applicable exemption amount.

If you exceed these thresholds, you must complete a Maine Minimum Tax Worksheet to determine whether you owe Maine minimum tax. See instructions and supporting worksheets attached or call (207) 626-8475.

Line 2. The income modifications that apply to the Maine regular tax also apply to the Maine minimum tax. See Worksheet for Line 2 and related instructions for a description of the Maine income modifications. **Enter only amounts not already added or subtracted in calculating federal alternative minimum taxable income. The amount you enter on line 2 may be either a positive or negative number.**

Line 4. Enter on line 4 the appropriate amount from the table at line 4 on the Worksheet. If line 3 is greater than the income amount in the table for your filing status, complete and attach the **Worksheet for line 4 (Maine AMT Exemption Worksheet)**.

Line 6. Use the following tables to calculate the Maine tentative minimum tax.

(For all taxpayers except married individuals filing separate returns)

<u>If line 5 is:</u>	<u>The Tax is:</u>
Not more than \$175,000	7.0% of the Maine alternative minimum taxable income
Greater than \$175,000	\$12,250 plus 7.6% of the excess over \$175,000

(For married taxpayers filing separate returns)

<u>If line 5 is:</u>	<u>The Tax is:</u>
Not more than \$87,500	7.0% of the Maine alternative minimum taxable income
Greater than \$87,500	\$6,125 plus 7.6% of the excess over \$87,500

Line 7. The **nonresident and part-year resident apportionment factor** is the amount of the taxpayer's *Maine-source* income included on line 3 **divided** by the *total* income on line 3.

MAINE MINIMUM TAX INSTRUCTIONS — Income Modification Worksheet for Line 2

Line 1. ADDITIONS to federal alternative minimum taxable income. *Also include the taxpayer's distributive share of addition modification items from partnerships and S Corporations.* **Enter only amounts not already added in calculating federal alternative minimum taxable income.**

Line 1a. Income from municipal and state bonds, other than Maine. Enter the amount from Maine Schedule 1, line 1a. This is income from municipal and state bonds and private activity bonds, other than Maine, that is not included in your federal alternative minimum taxable income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds.

Line 1b. Net Operating Loss Recovery Adjustment. Enter on this line any federal alternative minimum tax net operating loss carried to the tax year that has been previously used to offset addition modifications under the Maine minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications. See example at right.

Line 1c. Maine State Retirement Contributions. Enter on this line the amount of your 2005 Maine State Retirement Contributions from Maine Schedule 1, line 1c. To calculate this amount, subtract your federal wages from your state wages appearing on your 2005 State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

Line 1d. Domestic Production Activities Deduction Add-back. Enter the amount claimed as a domestic production activities deduction on federal Form 1040, line 35.

The following example illustrates the NOL Recovery Adjustment:

Corresponding Line on Maine AMT Worksheet:	NOL Year	Carryforward Years	
	2005	2006	2007
Federal alternative minimum taxable income prior to NOL deduction	- 60,000	35,000	25,000
		- 35,000	- 25,000
1. FAMTI after NOL deduction	- 60,000	0	0
2. ADDITION Modification 5122(1)(E)			10,000
Addition Modifications:			
2. Other	10,000	10,000	8,000
3. Maine Adjusted Gross Income	-50,000	10,000	18,000

The original \$60,000 loss in 2005, all of which is carried forward for federal purposes, is allowed to offset Maine addition modifications in 2005. The amount of the federal NOL carryforward must, therefore, be reduced by the amount used in the loss year to offset addition modifications. In this example, \$10,000 of the federal NOL carryforward was used to offset Maine addition modifications in the year of the loss. Thus, the federal NOL carryforward is, for Maine purposes, reduced by an addition modification in 2007. For additional information concerning the NOL recovery adjustment, see www.maine.gov/revenue.

Line 1e. Bonus Depreciation/Section 179 Expense Add-back.

Federal alternative minimum taxable income must be increased by the net effect of the following amounts reflected in federal alternative minimum taxable income: **1)** 30% bonus depreciation deduction claimed in accordance with Section 101 of the federal Jobs Creation and Worker Assistance Act of 2002, Public Law 107-147; **2)** 50% bonus depreciation deduction claimed in accordance with Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27; and, **3)** increase in section 179 expense due to 2003 federal law changes in Section 202 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27. If the difference is less than zero, enter zero. Enclose both the actual and pro forma versions of federal Form 4562 with the Maine return. Property expensed under the provisions of section 179 at the federal level cannot be capitalized for Maine purposes. For more information and examples, see the related Guidance Document on the MRS web site at www.maine.gov/revenue (select Income/Estate Tax).

Line 1f. Health Savings Accounts. Enter on this line the amount contributed to any health savings account under Code sections 106 (by your employer on your behalf) and 223 (by you on your own behalf) to the extent the amount is excluded from federal alternative minimum taxable income. Generally, this is the amount from Maine Schedule 1, line 1f.

Line 1g. Other. Enter on this line: • the amount of loss, deductions and other expenses of a financial institution subject to Maine franchise tax that are included in your federal alternative minimum taxable income due to an ownership share in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner • amounts claimed as a business expense for federal alternative minimum tax purposes that are included in the investment credit for the high-technology investment tax credit • student loan interest deduction (amounts based on payments made after 60 months from the start of the repayment period) on federal Form 1040, line 33, or Form 1040A, line 18 • qualified tuition and other education expenses deducted on federal Form 1040, line 34, or Form 1040A, line 19 • amounts received from the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program • your share of a fiduciary adjustment - additions only (36 M.R.S.A. § 5122(3)) - you must attach a copy of your federal Schedule K-1 to verify your share of income.

Line 1h. Deductible costs, included in federal alternative minimum taxable income, incurred in the production of Maine exempt income. Enter any interest or other expense deductions reflected in federal alternative minimum taxable income attributable to income not taxable under Maine law. Generally, this is the amount from Maine Schedule 2, line 5b.

Line 1i. Family Development Account Credit. Enter the amount of any charitable contribution deduction included in federal alternative minimum taxable income that is also claimed for the Family Development Account Credit on Maine Schedule A, line 18. This is the amount from Maine Schedule 2, line 5c.

Line 1j. Ownership interest in a flow-through entity financial institution. Enter any loss, deduction or other expense included in federal alternative minimum taxable income attributable to an ownership interest in a flow-through entity financial institution.

Line 2. SUBTRACTIONS from federal alternative minimum taxable income. NOTE: You may only subtract the items listed

below on this schedule. *Also include the taxpayer's distributive share of subtraction modification items from partnerships and S Corporations.* Enter only amounts not already subtracted in calculating federal alternative minimum 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 your federal alternative minimum taxable income.

Line 2b. Social Security and Railroad Retirement Benefits included in federal alternative minimum taxable income. Social Security benefits issued by the U. S. Government and Railroad Retirement benefits (Tier 1 and Tier 2) issued by the U.S. Railroad Retirement Board are not taxed by the State of Maine. Also, unemployment and sick benefits issued by the Railroad Retirement Board are not taxable to Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable as Maine income. Enter on this line amounts included in federal alternative minimum taxable income.

Line 2c. Pension Income Deduction. Enter on this line the amount of eligible pension income included in your federal alternative minimum taxable income. (See Maine Schedule 1, line 2d instructions for more information.) You must include copies of your 1099 forms to verify the deduction amounts claimed.

Line 2d. Interest from Maine Municipal General Obligation & Private Activity Bonds included in federal alternative minimum taxable income. Interest from these bonds is exempt from state income tax, even if taxed on the federal return. If you have interest of this type included in your federal alternative minimum taxable income, enter the amount on this line. Generally, this is the amount from Maine Schedule 1, line 2e.

Line 2e. Premiums for Long-Term Care Insurance. Enter on this line premiums paid for long-term care insurance. If federal Form 6251, line 2 is zero, enter the amount from Maine Schedule 1, line 2f. If federal Form 6251, line 2 is greater than zero, complete the worksheet for line 2e on page 2. To qualify, the insurance policy on which the premiums are paid 1) must meet the federal definition for a long-term care insurance contract (IRC § 7702B(b)) (these are long-term care premiums that generally qualify for federal itemized deductions), or 2) *must be certified by the Maine Bureau of Insurance.* Premiums claimed must be reduced by any premiums claimed as Maine itemized deductions and by any premiums included in the federal self-employed health insurance deduction claimed on federal Form 1040, line 29.

Line 2f. Maine State Retirement System Pick-Up Contributions. Enter contributions paid to you in 2005 that have been previously taxed by the state under the Maine alternative minimum tax. Use this line only if you retired after 1988 and are receiving retirement benefits from the Maine State Retirement System (MSRS). Include on this line MSRS rollover amounts previously taxed by the state under the Maine alternative minimum tax, whether or not included in federal alternative minimum taxable income.

Line 2g. Federal Work Opportunity Credit/Empowerment Zone Credit Deduction. Enter on this line the amount equal to your federal Work Opportunity Credit salaries and wages deduction (federal Form 5884, line 2) and/or your federal Empowerment Zone Credit salaries and wages deduction (federal Form 8844, line 2) to the extent allowed against federal alternative minimum tax. Generally, this is the amount from Maine Form 1040, Schedule 1, line 2h.

Line 2h. Fiduciary Adjustment - deductions only. Enter your share of the fiduciary adjustment (36 M.R.S.A. § 5122(3)) to the extent allowable for Maine alternative minimum tax purposes. You must attach a copy of your federal Schedule K-1 to verify your share of income. Generally, this is the amount from Maine Schedule 1, line 2i.

Line 2i. Bonus Depreciation/Section 179 Expense Recapture. Amounts required to be added to income under 36 MRSA § 5122(1)(N) for Maine alternative minimum tax purposes may be recaptured over the life of the applicable asset. For property placed in service in 2002, addition modifications may be recaptured in equal amounts over the remaining life of the asset beginning in 2004. For assets placed in service after 2002, 5% of the addition modification is recaptured in the tax year immediately following the year the asset was placed in service with the remaining 95% recovered in subsequent tax years, in equal installments, over the remaining life of the applicable asset. Generally, this is the amount from Maine Schedule 1, line 2j.

Line 2j. Other Deductions. Enter on this line: • military compensation received by a nonresident servicemember • Maine Lottery or Tri-State Lottery winnings received in 2005 won prior to January 1, 1987 • settlement payments received by Holocaust victims • account proceeds from a Family Development Account

administered by FAME • net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122(2)(H) or § 5122(2)(P) • 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 • 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 your federal alternative minimum taxable income due to an ownership share 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(2), enter only amounts included in federal alternative minimum taxable income. **Attach supporting documentation when claiming an amount on this line.** Generally this is the amount Maine Schedule 1, line 2k.

Line 2k. Deductible costs of producing income exempt from federal alternative minimum tax but subject to the Maine alternative minimum tax. Enter any interest or other expense items attributable to income taxable under Maine alternative minimum tax law, but exempt from federal alternative minimum tax. Enter only amounts not included in federal alternative minimum taxable income.