MAINE CORPORATE INCOME TAX
2009 FORM 1120ME

APPORTIONMENT - SCHEDULE A GENERAL INSTRUCTIONS

NOTE: Starting with tax year 2009, Maine no longer employs the "throw back" rule for certain sales in states where the taxpayer is not taxable; these sales are now "thrown out" of both the numerator and denominator of the apportionment factor.

Schedule A is for corporations engaged in interstate business. Maine employs a sales-factor formula to determine the percentage of corporate income tax that is apportioned to Maine. Generally, this percentage is derived from a fraction, the numerator of which includes the sales in Maine, and the denominator of which includes sales everywhere in the U.S. (36 MRSA §§ 5210-5211 and MRS Rule 801). For tax years beginning after 2008, both the numerator and the denominator must exclude certain sales of tangible personal property into a state where the taxpayer is not taxable. However, sales to the federal government are "thrown back" to Maine and remain in the denominator. If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the State Tax Assessor may require, in respect to all or any part of the taxpayer's business activity, separate accounting, or any other method to effectuate an equitable apportionment of the taxpayer's income tax.

"Tax period," referred to in the instructions for lines 12, 13 and 14, means the period represented by adjusted federal taxable income on line 5 of Form 1120ME.

"Sales" means all gross receipts including trade sales, dividends, interest, rents, and royalties. ***See*** **MRS Rule 801.08(B).** Sale of a partnership interest by a corporation engaged in a multistate business activity is attributed to Maine to the extent of the ratio of the partnership's tangible property located in Maine to tangible property located everywhere, determined based on original cost. **Receipts from sales, other than sales of tangible personal property, is generally sourced to the state of destination, rather than by costs of performance. See details under specific instructions below.**

Corporations that are members of a unitary business group, see instructions for combined reporting.

Corporations that have an ownership interest in a pass-through entity must include their share of income and apportionment factor from that entity in the apportionment formula.

See generally **MRS Rule 801**
for apportioning tax and income.

APPORTIONMENT - SCHEDULE A SPECIFIC INSTRUCTIONS

MUTUAL FUND SERVICE PROVIDERS may elect to apportion income tax to Maine using a special sales-only formula. Check the box on Schedule A if you qualify and are making this election. The choice is irrevocable for five years. Taxpayers electing this special apportionment are excluded from combined reporting. See 36 MRSA § 5212.

Line 12. APPORTIONMENT FACTOR - SALES ONLY: The apportionment factor is a fraction, the numerator of which includes the total sales of the taxpayer in Maine during the tax period, and the denominator of which includes the total sales of the taxpayer everywhere in the U.S. during the tax period. For tax years beginning after 2008, both the numerator and the denominator must exclude sales of tangible personal property into a state where the taxpayer is not taxable, except for sales to the federal government.

Sales of tangible personal property are attributed to Maine if (1) the property is delivered or shipped to a purchaser, other than the United States Government, in Maine, regardless of the F.O.B. point or other conditions of the sale, or (2) the property is shipped from an office, store, warehouse, factory or other place of storage in Maine and the purchaser is the United States Government.

Sales, other than sales of tangible personal property. Maine law governing how sales, other than sales of tangible personal property, are attributed to the various states in which a business operates has changed. Under prior law, receipts from sales, other than sales of tangible personal property, were generally attributed to the state where the income-producing activity occurred, determined based on costs of performance. For tax years beginning after 2006, receipts from sales, other than sales of tangible personal property, are generally attributed based on where the services are received or where the property is located. Based on the new law, sales, other than sales of tangible personal property, are attributed as follows:

Services. Generally, receipts from the performance of services are attributed to the state where the services are received. If the state where the services are received cannot be readily determined, the services are deemed to be received at the home of the customer or, in the case of a business, the office of the customer from which the services are ordered. If the office from which the services are ordered cannot be determined, the services are deemed to be received at the office to which the services are billed. Receipts from services rendered to the federal government and receipts attributable to a state in which the taxpayer is not taxable are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 MRSA § 5211(16-A)(A).

Patents, copyrights, trademarks. Receipts from the license, sale or other disposition of patents, copyrights, trademarks and other similar property are attributed to the state in which the property is used. Receipts are attributed to Maine if the taxpayer's commercial domicile is in Maine and is not taxable in the state in which the property is used. If the property is used in more than one state, the receipts associated with the property must be apportioned to Maine based on the ratio the property was used in Maine. Receipts from the federal government and receipts attributable to a state in which the taxpayer is not taxable are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 MRSA § 5211(16-A)(B).

Real and tangible personal property. Receipts from the sale, lease, rental or other use of real and tangible property are attributed to the state in which the property is located. See 36 MRSA § 5211(16-A)(C) and (D).

Financial services. Receipts from financial services are attributed to Maine as follows. See 36 MRSA §§ 5211(16-A)(E) & 5206-E(2)(C-I).

Interest (and fees and penalties in the nature of interest) from loans located in Maine, determined at the time of original agreement.

Net gains from the sale of loans attributed to Maine. The net gain attributed to Maine is determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

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APPORTIONMENT - SCHEDULE A SPECIFIC INSTRUCTIONS - cont.

Interest (and fees and penalties in the nature of interest) from credit card receivables and receipts from fees charged to credit card holders (such as annual fees) associated with credit card holders whose billing address is in Maine.

Net gains from the sale of credit card receivables attributed to Maine. The net gain attributed to Maine is determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

Credit card reimbursement fees attributed to Maine. Credit card reimbursement fees, including related payment processing fees, attributed to Maine is determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

Receipts from merchant discount, including related payment processing fees, if the commercial domicile of the merchant is in Maine.

Loan servicing fees attributed to Maine. Loan servicing fees attributed to Maine is determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

Sale of partnership interest. The gain or loss from the sale of a partnership interest is sourced to Maine by multiplying the gain or loss by the ratio of the original cost of the partnership's tangible property located in Maine to the original cost of the partnership's tangible property everywhere, determined at the time of the sale. A different ratio must be calculated if more than 50% of the value of the partnership's assets consists of intangible property. The foregoing allocation calculations do not apply to certain sales of interests in investment partnerships. See 36 MRSA §§ 5211(16-A)(F) & 5142(3-A).

NOTE: Although payroll and property are no longer included in the Maine apportionment factor, this information is still being collected for a variety of purposes, including for statistical, audit and tax credit purposes.

Line 13. TOTAL PAYROLL: Enter in column A total compensation paid in Maine during the tax period by the taxpayer, and enter in column B total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for personal services, including deferred compensation. Compensation is paid in Maine if (1) the individual's service is performed entirely within this state; (2) the individual's service is performed both within and outside Maine, but the service performed outside the state is incidental to the individual's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the individual's residence is in Maine.

Payroll for leased and temporary employees. The payroll totals must include 85% of amounts paid to an employee-leasing company for leased employees and 100% of amounts paid for temporary employees. Employee-leasing companies and temporary services companies will exclude from payroll compensation paid to leased or temporary employees who are providing personal services to client companies. However, amounts received from clients for leased or temporary employees must still be included in the line 12 apportionment factor calculation of the leasing or temporary services company.

"Leased employee" means an individual who performs services for a client company pursuant to a contract between the client company and an employee-leasing company.

"Temporary services" means employee services provided to client companies for a contractual period of less than 12 months.

Line 14. TOTAL PROPERTY: Enter in column A the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period. Enter in column B the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period.

Property owned by the taxpayer is valued at original cost. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the State Tax Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property. Property rented by the taxpayer is valued at eight times the net annual rental rate.

ALTERNATIVE MINIMUM TAX - SCHEDULE B INSTRUCTIONS

See Schedule B for specific instructions for each line. Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return.

If the corporation is not required to file federal Form 4626 due to the small corporation exemption, the corporation will not be subject to Maine minimum tax.

Line 20. MODIFICATIONS: Enter on this line the total of the applicable Maine addition modifications under § 5200-A(1) to the extent not already included in federal alternative minimum taxable income. Also enter on this line the total of the applicable subtraction modifications under § 5200-A(2) to the extent not already eliminated from federal alternative minimum taxable income. See Form 1120ME, lines 2 and 4 for a list of applicable modifications. For more information on how to calculate the modifications to federal alternative minimum taxable income, go to our web site at **www.maine.gov/revenue/forms** for the worksheet for Maine alternative minimum tax.

Line 22. EXEMPTION: You must recalculate the exemption amount on federal Form 4626 to find the total to use for purposes of the Maine alternative minimum tax. To do this, enter the amount from Schedule B, line 21 on a blank Form 4626, line 7. Then, follow the federal instructions for calculating the exemption amount on line 8c. Enter the amount from the recalculated Form 4626, line 8c on Schedule B, line 22.

Line 24. APPORTIONMENT FACTOR: Enter the apportionment factor from Schedule A, line 15 unless 100% of your business activity is apportionable to Maine. Enter the value as a decimal amount. If 100% of your business activity is apportionable to Maine, enter the amount as "1.000000".

Line 28b. PINE TREE DEVELOPMENT ZONE CREDIT: The credit application worksheet is available at **www.maine.gov/revenue/forms**, then select Worksheets for Tax Credits. Attach a copy of the worksheet to your return.