

2004 HIGH-TECHNOLOGY INVESTMENT TAX CREDIT WORKSHEET INSTRUCTIONS

This credit is available to taxpayers engaged in high-technology activity that purchase and use eligible equipment or that lease eligible equipment from a lessor.

High-technology activity includes the design, creation and production of computer software, computer equipment, supporting communications components and other accessories that are directly associated with computer software and equipment. It also includes the provision of internet access services and advanced telecommunications services.

Eligible equipment includes computer equipment, electronic components and accessories, communication equipment and computer software placed into service in Maine. Eligible equipment must be used in a high-technology activity. Eligible equipment used in wire line telecommunications must be capable of transmitting data at 200 kilobits or more per second in at least one direction. Eligible equipment used in wireless telecommunications must be capable of transmitting data at 42 kilobits or more per second in at least one direction.

For taxpayers that purchase and use eligible equipment, the credit is equal to the investment credit base of eligible equipment that was placed into service in Maine during the tax year. The **investment credit base** is the adjusted basis of the equipment on the date that the equipment was placed into service in Maine for the first time. For purposes of calculating the adjusted basis, depreciation is determined by multiplying the annual depreciation amount by the percentage relating to the time-of-use in Maine (number of days the equipment was in service in Maine divided by the total number of days the equipment was in service during the tax year).

Taxpayers that purchase and lease eligible equipment to lessees may claim the credit only if the lessee waives its right to claim the credit. Whether the credit is claimed by the purchaser or the lessee, the equipment must be eligible equipment used in a high-technology activity. The credit amount claimed must be net of any lease payments received during the tax year. In order to qualify, the lessor must derive no more than 1/3 of aggregate lease payments from the eligible equipment and the lease must qualify as a lease for federal purposes under Revenue Procedure 2001-28.

For taxpayers that lease eligible equipment from a lessor, the credit is equal to the lease payments made on the equipment during the taxable year. **Lessees that sub-lease eligible equipment may claim the credit only if the sub-lessee waives its right to claim the credit.** Whether the credit is claimed by the lessee or sub-lessee, the equipment must be eligible equipment used in a high-technology activity. If the credit is claimed by the lessee, the credit amount must be net of any lease payments received during the tax year. If the eligible equipment is depreciable by the lessee or sub-lessee, the credit amount is based on that person's investment credit base of the eligible equipment. If the credit is claimed by the lessor, the lessor must derive no more than 1/3 of aggregate lease payments from the eligible equipment and the lease must qualify as a lease for federal purposes under Revenue Procedure 2001-28.

The credit (including carryforward amounts) is limited to the tax liability of the taxpayer and may not reduce the tax liability of the current year to less than the tax liability of the previous year after all other credits except the High-Technology credit. In addition, the credit may not be used to reduce the tax liability of the taxpayer by more than \$100,000 after the allowance of all other credits except the Family Development Account Reserve Fund Credit (36 M.R.S.A. § 5216-C) and the Super Research Credit (36 M.R.S.A. § 5219-L).

Generally, unused credit amounts may be carried forward for up to 5 taxable years. However, unused credits for tax years ending prior to January 1, 2001 may be carried forward for up to 10 years if the unused credit amount relates to equipment meeting the definition of eligible equipment in effect for tax years beginning on or after January 1, 2001 (*see* definition above). The amount carried forward in accordance with this rule that may be used in any one tax year is limited to \$100,000. However, if the taxpayer's investment credit base for the taxable year is less than \$100,000, the amount of the carryforward that may be used is \$100,000 plus the difference between \$100,000 and the taxpayer's investment credit base for the taxable year, but not more than \$200,000. The total credit claimed, however, may not reduce the tax liability below that of the previous year after all other credits and may not reduce the tax liability of the current year to below zero.

Special rules apply to corporations filing a combined return.

In the case of pass-through entities (partnerships, LLCs, S corporations, trusts, etc.), the partners, members, shareholders, beneficiaries, etc., are allowed a credit in proportion to their respective interest in these entities. Attach a schedule showing the credit generated by the pass-through entity and the assignment/distribution to each partner, shareholder, beneficiary, etc. Include the name, address, and federal ID number of the pass-through entity on the schedule and the name and SSN/EIN of each partner, shareholder, beneficiary, etc.

SPECIFIC LINE INSTRUCTIONS

Enter taxpayer name and employer identification number ("EIN") or social security number ("SSN").

- Line 1. Enter any unused tax credit amounts from previous years. Read the general instructions above before making an entry on this line. Enclose an explanation or schedule to verify the amount entered on this line.
- Line 2. Enter the investment credit base for eligible equipment placed into service in Maine during the taxable year. Read the general instructions above before making an entry on this line. Enclose a schedule listing the eligible equipment used to calculate the investment credit base.



**2004
HIGH-TECHNOLOGY INVESTMENT
TAX CREDIT WORKSHEET
36 M.R.S.A. § 5219-M**

TAXPAYER NAME: _____ EIN/SSN: _____

Note: Owners of pass-through entities (partnerships, LLCs, S corporations, trusts, etc.) making an eligible investment, see last paragraph of general instructions. Also, please provide name and ID number of the pass-through entity on the lines below.

NAME OF PASS-THROUGH ENTITY EIN/SSN

1. Carryforward from previous year. 1 _____

2. **Investment credit base** for eligible equipment purchased and used by the taxpayer. Also enter on this line the investment credit base for eligible equipment purchased and leased to lessees, less the lease payments received on the equipment. Note: The lessor is subject to certain qualifications and may claim a credit on leased equipment only if the lessee waives its right to claim the credit. See instructions. 2 _____
 - 2a. Amount of investment credit base from line 2 also claimed as a business expense for federal tax purposes. Enter here and on Form 1120ME, line 4f or 1040ME, Schedule 1, line 1g. 2a _____

3. Enter lease payments paid on eligible equipment less any lease payments received on the equipment from sub-lessees. Note: The lessor is subject to certain qualifications and may claim a credit on leased equipment only if the lessee waives its right to claim the credit. 3 _____

4. **Total credit available this year.** Line 1 plus line 2 plus line 3. (Corporations enter here and on Form 1120ME, Schedule C, line 29i, **Credit Claimed**) 4 _____

5. **2004 tax** (Form 1120ME, line 7a or Form 1040ME, line 23 minus Schedule A, Line 3c) 5 _____

- 6a. **2003 tax** (Form 1120ME, line 7c or Form 1040ME line 23) 6a _____
- 6b. **2003 Other Credits** (Form 1120ME, Schedule C, line 29o minus line 29i or Form 1040ME, Schedule A, line 25 minus line 18. 6b _____
- 6c. **2003 tax less other credits** (line 6a minus line 6b). 6c _____

7. Subtract line 6c from line 5 and enter the difference here. If zero or less, enter zero. 7 _____

- 8a. **2004 Tax** (Form 1120ME, line 7a or Form 1040ME, line 23 minus Schedule A, Line 3c). 8a _____
- 8b. **2004 Other Credits** (Form 1120ME, Schedule C, line 29p minus lines 29h and 29n or Form 1040ME, Schedule A, line 19 minus lines 13 and 18 (attributed to the **Family Development Account Credit**)). 8b _____
- 8c. **2004 Tax Less Other Credits** (line 8a minus line 8b). 8c _____

9. **Credit Amount.** Enter the lesser of line 4, line 7, line 8c or \$100,000. In some cases, the maximum allowable credit is \$200,000, depending on the allowable carryforward on line 1. Read the general instructions on reverse side regarding carryforward amount before making an entry on this line. (Enter allowable credit on Form 1120ME, Schedule C, line 29i or Form 1040ME, Schedule A, line 14). 9 _____