



# Income Tax Withholding

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# Contact Information

**MRS Web site:** [www.maine.gov/revenue](http://www.maine.gov/revenue)

- Electronic services: Electronic return and payment options
- Summary of tax law changes
- Frequently asked questions
- Register to receive *Maine Tax Alert* free by e-mail

## **Withholding Telephone Assistance:**

- 207-626-8475 and option 4
- Mon – Fri, current phone hours 9:00 am – 12:00 pm

**Email:** [Withholding.tax@maine.gov](mailto:Withholding.tax@maine.gov)



# Withholding/Filing Requirement

As an employer, if you have employees in Maine and are required to withhold federal income tax from wages, you must also withhold state income tax

Withheld amounts must be remitted either quarterly, or on a semiweekly basis

Withheld amounts must be reported quarterly

If an employer withholds from wages but does not remit payment, the employer remains liable



# Application for Tax Registration

If you or your business has met the withholding/filing requirement, then a withholding account is needed

To register for withholding, please complete an application for tax registration

For more information, please contact Taxpayer Assistance at (207) 624-9784 or [taxpayerassist@maine.gov](mailto:taxpayerassist@maine.gov)



# Zero Liability

As an employer, if you have an open and active withholding account, returns must be filed even if there were no employees and zero withholding

If an employer no longer has employees and does not expect to have employees in the future, the withholding account can be closed



## Past Due Notice

A past due notice indicates a 941ME has not been filed.

Either a return needs to be filed or the account needs to be closed.

- Close account: Need notification in writing
- No employees in quarter, maintain withholding account: File zero liability return
- Employees/withholding in quarter: File return



# Business Change Notification

**Form 941BN-ME**

**Used to change:**

- Name, DBA
- Address
- Phone number
- Email address

**Use 941BN-ME to close  
withholding account**



## Electronic Filing Mandate

All withholding returns (Form 941ME) and annual reconciliations (Form W-3ME) are required to be filed electronically by employers, non-wage withholders, and payroll processors.

- Waivers from this requirement are available if the requirement causes undue hardship.





## Filing Options

I-File – convenient self-service option for employers to file *and* pay income tax withholding

- I-File has been updated to a simpler platform
- Employers/payers can now amend forms 941ME and W-3ME via I-File
- Payment method can be changed after return is filed (Check to ACH)
- Web address for I-File is <https://portal.maine.gov/with/>



## Filing Options

Maine Employers Electronic Tax Reporting System (MEETRS) – convenient filing (not paying) option for payroll processors and large employers to upload .txt file containing income tax withholding detail

- MEETRS cannot accept payment. Payment can be made using ACH Credit or Debit methods



# Electronic Payment Mandate

If tax liability during the lookback period (fiscal year) is \$10,000 or more, all Maine tax payments are required to be made electronically, using either the ACH credit method or ACH debit method.

Payroll processors must remit all payments electronically, regardless of whether their clients are mandated to or not.



# Payment Options

**ACH Debit — MRS initiated method to debit payment from taxpayer account and credit amount to the state's account**

**EZ-Pay — <https://portal.maine.gov/ezpay/welcome>**

- ACH Debit payment option for all tax types

**ACH Credit — A taxpayer may pay taxes using this method by authorizing their bank to withdraw the tax payment from the taxpayer's deposit account and transfer it to the state's account\***

*\* preregistration required*



## Payment Frequency

- Employers or non-wage withholders whose total withholding during the lookback period (fiscal year) was \$18,000 or more are required to make electronic payments of income tax withholding on a semiweekly basis
- Maine Revenue Services will inform employers of any change to their required payment frequency
- Employers under the \$18,000 threshold are only required to make payments quarterly, but may choose to remit more frequently



# Payroll Processors

Using the services of a payroll processor can be a convenient and economical way for an employer, or payer, to file and pay income tax withholding

All payroll processors are required to be licensed with the Bureau of Consumer Credit Protection

It is the employer's responsibility to ensure that their payroll processor is licensed, remitting withholding and filing withholding returns

Employers are ultimately responsible for the payment of income tax withheld



# Payroll Processors

## Case Study #1:

- A nationwide payroll processor allegedly initiated \$122 million in wire transfers with insufficient funds in July of 2019
- More than 6,000 clients were left liable for payroll and employment taxes
- Employee compensation directed deposits reversed after fraud uncovered.



# Payroll Processors

## Case Study #2:

- Regional payroll processor is accused of failing to make employment tax deposits to federal and state agencies.
- Clients had received notice from the IRS and state agencies of underpayments and were assured that all was well.





# Payroll Processors

Steps to take if you are an employer and use a payroll processor:

Ensure your payroll processor is licensed with the Maine Bureau of Consumer Credit Protection.

Monitor bank accounts.

Contact state and federal agencies to check the status of your accounts and deposits.

If you receive notice from an agency, contact them directly.



# Fiscal Agents

- A fiscal agent is not the same as a fiduciary
- Agents under IRC 3504 that operate in Maine, representing employers who receive home care services paid in whole or in part through a federal, state or local program and file an aggregate Form 940 federally, may now do the same for Maine withholding
- Both the agent and employer are liable for withholding



## Information Returns W-2

- Employers/payers issuing 250 or more Forms W-2 are required to electronically file those forms directly with Maine Revenue Services through MEETRS
- Employers/payers are encouraged to file Forms W-2 directly with MRS if below the 250 threshold
- Do not send copies of paper Forms W-2
- Providing Maine Revenue Services with information returns helps combat fraud



# Information Returns 1099

Employers/payers issuing 250 or more 1099s of one type are required to electronically file those forms directly with Maine Revenue Services through MEETRS.

Utilizing Fed/State exchange is not the same as filing directly with Maine Revenue Services.

Employers/payers are encouraged to file 1099s directly with MRS if below the 250 threshold.

Providing Maine Revenue Services with information returns helps combat fraud.



# Information Returns 1099NEC

1099NEC is a new form to report nonemployee compensation

At this time, Maine Revenue Services (MRS) does not, and has no plans to, require copies of, or data related to, Forms 1099-NEC to be submitted to MRS



## Due Dates

### 941-ME

The electronic transmittal is due by the end of the month following completion of the calendar quarter. For example, reports for the quarter ending March 31, 2021 must be submitted no later than April 30, 2021

### W3-ME

Due March 1, 2021

### Forms W2 and 1099s

Due February 1, 2021



Questions?

Thank you.

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