

# MAINE 2002

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

### TRUSTS & ESTATES (FIDUCIARY) INCOME TAX

#### IMPORTANT CHANGES

**30% BONUS DEPRECIATION ADD-BACK. 36 M.R.S.A. §§ 5122(1)(N) & 5122(2)(Q).** For tax years beginning in 2002, 2003 and 2004, the net effect of the federal 30% bonus depreciation must be added back for state income tax purposes. One-third of the required add-back may be used to reduce taxable income for each of the three tax years beginning two years after the taxable year of the add-back. However, the add-back relating to 3-year property may be fully recovered in the tax year beginning two years after the taxable year of the add-back. All bonus depreciation claimed for tax year 2001 is allowed on the Maine return. See L.D. 2080; P.L. 2001, c. 559, Pt. GG, Sections GG-10, GG-12, GG-15, GG-18 & GG-26. CONTINUED ON PAGE 2.

For **DOWNLOADABLE FORMS**, visit our Web site: [www.maine.gov/revenue](http://www.maine.gov/revenue).

## IMPORTANT CHANGES CONTINUED

**SEED CAPITAL TAX CREDIT. 36 M.R.S.A. § 5216-B.** The amount of the Maine Seed Capital Tax Credit certificate available to investors is 40% of investments in qualified businesses. For investments in eligible businesses that are located in high-unemployment areas as determined by the Finance Authority of Maine (“FAME”), the credit percentage increases to 60% of investment. The rate at which the credit must be claimed on the Maine income tax return of the investor is accelerated to 25% in each year for four years beginning with the taxable year the investment is made. The credit program is added to the items included in the list of economic development incentives (5 M.R.S.A. § 13070-J), requiring businesses with eligible investors to submit a report to FAME disclosing investment, employment, payroll and sales. Annually, the Department of Economic and Community Development must report aggregate information regarding the credit to the legislature, using information provided by FAME. Applies to credit certificates issued on or after July 1, 2002 for investments made on or after July 1, 2002. See L.D. 2012; P.L. 2001, c. 642. For more information contact FAME at 1 (207) 623-3263.

**NET OPERATING LOSS. 36 M.R.S.A. §§ 5122(1)(H) & 5122(2)(H).** For net operating loss carrybacks arising from taxable years beginning on or after January 1, 2002, the federal taxable income of the carryback year must be increased by the amount of the federal NOL carryback to that year. Federal taxable income may be decreased in the year or years following the year of the loss in an amount which in the aggregate does not exceed the add-back required by the previous sentence. This subtraction modification may not be used to reduce Maine taxable income below zero and must be claimed within the allowable carryover period for NOLs. See L.D. 2080; P.L. 2001, c. 559, Pt. J, page 130.

**NET OPERATING LOSS. 36 M.R.S.A. §§ 5122(1)(M) & 5122(2)(P).** For NOLs arising from taxable years beginning or ending in 2001 which are carried back more than 2 years for federal income purposes in accordance with section 102 of the recently enacted federal Job Creation and Worker Assistance Act (PL 107-147), the federal taxable income of the taxpayer for taxable years preceding the year of the loss by more than 2 years must, for Maine income tax purposes, be increased by the amount of the net operating loss carried back to those years. The federal taxable income for the two taxable years preceding the year of the loss or for the taxable years within the allowable carryover period may be decreased in an amount which in the aggregate does not exceed the add-back required by the previous sentence. This subtraction modification, however, cannot be used to reduce Maine taxable income below zero. The modifications explained in this paragraph do not apply to certain small businesses and farmers who, under pre-existing federal law, were, for NOLs arising in taxable years beginning or ending in 2001, allowed to carry back the loss more than 2 years prior to the loss. See L.D. 2080; P.L. 2001, c. 559, Pt. GG, Sections GG-10, GG-12, GG-15, GG-18 & GG-26.

**ESTATE TAX. 36 M.R.S.A. §§ 4062(1-A), 4063, 4063-A, 4064 & 4064-A.** The federal 25% reduction of the credit for state death taxes for estates of 2002 decedents is reversed for Maine estate tax purposes. Applies to estates of taxpayers whose deaths occur during calendar year 2002. See L.D. 2080; P.L. 2001, c. 559, Pt. GG, Sections GG-3–GG-7.

**ALTERNATIVE MINIMUM TAX. 36 M.R.S.A. § 5203-A(1)(A).** Maine alternative minimum tax law is amended to require that Maine positive income modifications under 36 M.R.S.A. §§ 5122(1) be taken into consideration in calculating the Maine minimum tax. This includes disallowances of NOL carrybacks and bonus depreciation amounts. This change may, for some taxpayers, result in a Maine minimum tax due when the federal tentative minimum tax is zero. Except as affected by the disallowance of any NOL carryback to tax years earlier than the two-year allowable Maine carryback period, this change applies to tax years beginning on or after January 1, 2002. See L.D. 2080; P.L. 2001, c. 559, Pt. GG, Section GG-19 & GG-26.

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## 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.

**INCOME TAX RETURN**  
**FOR RESIDENT AND NONRESIDENT TRUSTS AND ESTATES**

For calendar year 2002 or tax year beginning in 2002

**020912000**

**2002**

Tax period \_\_\_\_\_ **02** \_\_\_\_\_

Amended Return

**FORM 1041ME**

NAME OF ESTATE OR TRUST _____ NAME AND TITLE OF FIDUCIARY OR TRUSTEE _____ ADDRESS OF FIDUCIARY (NUMBER AND STREET) _____ CITY _____ STATE _____ ZIP CODE _____	ESTATE/TRUST EIN _____ FIDUCIARY SSN OR EIN _____ CONTACT PERSON _____ TELEPHONE NUMBER _____
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Type of entity:  Decedent's estate  Complex Trust  Bankruptcy estate — (Chapter 7)  Pooled income fund  
 (check one box)  Simple Trust  Grantor Trust  Bankruptcy estate — (Chapter 11)  Qualified funeral trust

Check the boxes that apply:  Resident estate or trust  Nonresident estate or trust  Initial return  Final return

1. Federal taxable income (if nonresident trust or estate, skip to line 3) .....	1	_____ - _____ - _____ . _____
2. Trust/estate's share of fiduciary adjustment (from Schedule 1, line 3) .....	2	_____ - _____ - _____ . _____
3. Maine taxable income (resident trust or estate — line 1 plus or minus line 2) (nonresident trust or estate — Schedule NR, line 7) .....	3	_____ - _____ - _____ . _____
4. Maine income tax (from tax table on page 8 of instructions) .....	4	_____ - _____ - _____ . _____
5. Adjustments to tax (from Schedule A, line 24) .....	5	_____ - _____ - _____ . _____
6. Adjusted Maine income tax (line 4 plus or minus line 5) .....	6	_____ - _____ - _____ . _____
7. Tax payments: a. Maine income tax withheld (attach Form W-2, W-2G, or 1099-R) .....	7a	_____ - _____ - _____ . _____
b. 2002 Estimated tax payments (include real estate withholding tax payments) ..	7b	_____ - _____ - _____ . _____
c. Total Payments (add lines 7a and 7b) .....	7c	_____ - _____ - _____ . _____
8. a. If line 6 is greater than line 7c, enter <b>TAX BALANCE DUE</b> .....	8a.	_____ - _____ - _____ . _____
b. Enter <b>PENALTY</b> for underpayment of estimated tax (attach Form 2210ME) (Check here if you checked the box on Form 2210, line 17) <input checked="" type="checkbox"/> .....	8b.	_____ - _____ - _____ . _____
c. <b>TOTAL AMOUNT DUE</b> (add lines 8a and 8b) .....	8c	_____ - _____ - _____ . _____
9. If line 7c is greater than line 6, enter <b>OVERPAYMENT</b> .....	9.	_____ - _____ - _____ . _____
10. Overpayment to be: a. <b>CREDITED</b> to next year's estimated tax 10ab. _____	10ab.	_____ - _____ - _____ . _____
<b>REFUNDED</b> .....	10b.	_____ - _____ - _____ . _____

**Third Party Designee** Do you want to allow another person to discuss this return with Maine Revenue Services?  Yes (complete the following).  No.  
 Designee's name \_\_\_\_\_ Phone no. ( ) \_\_\_\_\_ Personal Identification number \_\_\_\_\_

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**X** \_\_\_\_\_ DATE \_\_\_\_\_  
 SIGNATURE OF FIDUCIARY OR OFFICER REPRESENTING TRUST OR ESTATE

**X** \_\_\_\_\_ DATE \_\_\_\_\_  
 SIGNATURE OF PREPARER OTHER THAN FIDUCIARY

**Make check payable to:**  
**TREASURER, STATE OF MAINE**  
**WRITE THE EMPLOYER IDENTIFICATION**  
**NUMBER OF THE ESTATE OR TRUST ON THE**  
**CHECK — DO NOT SEND CASH**

PRINT PREPARER'S NAME \_\_\_\_\_ PREPARER'S PHONE NUMBER \_\_\_\_\_ PREPARER'S SSN OR PTIN \_\_\_\_\_

SCHEDULE 1 - FIDUCIARY ADJUSTMENT

(Enter combined amounts for both the beneficiaries and the estate or trust)

020912100

1 ADDITIONS — Income exempt from federal income tax, but taxable by Maine law:
a Income from municipal and state bonds, other than Maine
b Net Operating Loss Recovery Adjustment (attach schedule)
c Maine State Retirement Contributions
d Fiduciary Adjustment-additions only
e 30% Bonus Depreciation Add-back (See instructions)
f Other. List
g Total additions (add lines 1a through 1f)
2 DEDUCTIONS — Income exempt from Maine income tax, but taxable by federal law:
a U.S. Government Bond interest included in federal taxable income
b Social security and Railroad Retirement Benefits included in federal taxable income (see instructions)
c Interest from Maine Municipal General Obligation Bonds included in federal taxable income
d Maine State Retirement System Pick-Up Contributions paid during 2002 which have been previously taxed by the state
e Federal Work Opportunity Credit
f Other. List
g Total Deductions (add lines 2a through 2f)
3 Net Fiduciary Adjustment (subtract line 2g from line 1g — see instructions [may be a negative amount])
Resident trusts or estates: If the trust/estate's share of distributable net income is less than 100%, multiply the result of subtracting line 2g from line 1g (\$ ) by Schedule 2, Column 3, line f. Enter result here and on page 1, line 2. Nonresident trusts or estates: Enter total fiduciary adjustment here and on Schedule NR, line 4. Do not apply the allocation rate from Schedule 2 at this time; the rate will be applied when completing Schedule NR.

SCHEDULE 2 — ALLOCATION FEDERAL INCOME AND MAINE-SOURCE INCOME

Table with 6 columns: 1. Name, 2. Share of income (copy from federal return), 3. Percent, 4. State of domicile, 5. Social Security number/EIN of beneficiaries, 6. Maine-source income allocated to nonresident beneficiaries. Rows include (a) B-, (b) B-, (c) B-, (d) B-, (e) B-, (f) TE-, and (g) Total.

Nonresident: Line g, column 6: Enter the amount from Schedule NR, line 5, column B. Complete column 6 for nonresident beneficiaries based on the amount entered on line g, column 6, and also based on the percentages in column 3.

SCHEDULE 3 - CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION

1 Maine taxable income from Form 1041ME, page 1, line 3
2 Income taxed by ( other jurisdiction) included in line 1
3 Percentage of income taxed by other jurisdiction (divide line 2 by line 1) %
4 Limitation of credit:
a Form 1041ME, page 1, line 4 \$ multiplied by % on line 3 above
b Income taxes paid to other jurisdiction net of tax credits
5 Allowable credit: line 4a or 4b, whichever is less. Enter here and on Form 1041ME, Schedule A, line 4

Special instructions for taxpayers who claim credit for income tax paid to more than one other jurisdiction: Credit for each jurisdiction must be computed separately. Use a separate Schedule 3 for each one. Add the results together and enter on Form 1041ME, Schedule A, line 4.

**SCHEDULE A**  
**FORM 1041ME**  
**2002**

**ADJUSTMENTS TO TAX**

20912400n

If this schedule is used, file it  
with your Form 1041ME.

Name(s) as shown on Form 1041ME

Estate/Trust EIN

\_\_\_\_\_

**Section 1. TAX ADDITIONS:**

- 1. RETIREMENT PLAN DISTRIBUTIONS - Enter the amount from federal Form 1041, Schedule G, line 1b \$ \_\_\_\_\_ Multiply this amount by 15% and enter result here ..... 1 \_\_\_\_\_
- 2. MAINE MINIMUM TAX - Attach Maine Minimum Tax Worksheet ..... 2 \_\_\_\_\_
- 3. TOTAL ADDITIONS: Add lines 1 and 2 ..... 3 \_\_\_\_\_

**Section 2. TAX CREDITS (see instructions for details):**

- 4. CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION  
Form 1041ME, Schedule 3, line 5 ..... 4 \_\_\_\_\_
- 5. MAINE SEED CAPITAL CREDIT (Attach worksheet-See instructions) ..... 5 \_\_\_\_\_
- 6. EMPLOYER-ASSISTED DAY CARE CREDIT (Attach worksheet-See instructions) ..... 6 \_\_\_\_\_
- 7. INVESTMENT TAX CREDIT.  
(Business Name - \_\_\_\_\_ ) ..... 7 \_\_\_\_\_
- 8. FOREST MANAGEMENT PLANNING CREDIT ..... 8 \_\_\_\_\_
- 9. EMPLOYER-PROVIDED LONG-TERM CARE CREDIT (Attach worksheet-See instructions) ..... 9 \_\_\_\_\_
- 10. JOBS & INVESTMENT TAX CREDIT (Attach worksheet-See instructions) ..... 10 \_\_\_\_\_
- 11. SOLID WASTE REDUCTION INVESTMENT TAX CREDIT.  
(Business Name - \_\_\_\_\_ ) ..... 11 \_\_\_\_\_
- 12. RESEARCH EXPENSE TAX CREDIT (Attach worksheet-See instructions) ..... 12 \_\_\_\_\_
- 13. RESEARCH & DEVELOPMENT SUPER CREDIT (Attach worksheet-See instructions) ..... 13 \_\_\_\_\_
- 14. HIGH-TECHNOLOGY CREDIT (Attach worksheet-See instructions) ..... 14 \_\_\_\_\_
- 15. MAINE MINIMUM TAX CREDIT - Attach Maine Minimum Tax Worksheet ..... 15 \_\_\_\_\_
- 16. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID (Attach worksheet-See instructions) ..... 16 \_\_\_\_\_
- 17. CLEAN FUEL CREDIT (Attach worksheet-See instructions) ..... 17 \_\_\_\_\_
- 18. HISTORIC REHABILITATION CREDIT (Attach worksheet-See instructions) ..... 18 \_\_\_\_\_
- 19. FAMILY DEVELOPMENT ACCOUNT CREDIT (Attach worksheet-See instructions) ..... 19 \_\_\_\_\_
- 20. QUALITY CHILD CARE INVESTMENT TAX CREDIT (Attach worksheet-See instructions) ..... 20 \_\_\_\_\_
- 21. TOTAL CREDITS - Add lines 4 through 20 ..... 21 \_\_\_\_\_
- 22. MAINE INCOME TAX PLUS ADDITIONS - 1041ME, page 1, line 4 plus line 3 above ..... 22 \_\_\_\_\_
- 23. ALLOWABLE CREDITS - Amount on line 21 or line 22, whichever is less. .... 23 \_\_\_\_\_
- 24. TOTAL ADJUSTMENTS - Line 3 minus line 23 (may be positive or negative). Enter here and on FORM 1041ME, page 1, line 5 ..... 24 \_\_\_\_\_

\_\_\_\_\_

# 2002

**INCOME SCHEDULE FOR  
NONRESIDENT TRUSTS OR ESTATES**  
A copy of federal Form 1041 must be attached to this  
Schedule

## SCHEDULE NR FORM 1041ME

Name of Trust or Estate

Social Security Number/EIN

	A FEDERAL	B MAINE	C NON-MAINE
<b>1. INCOME:</b>			
a. Interest and Dividends (Column A: federal Form 1041, lines 1&2) .....			
b. Business Income (Column A: federal Form 1041, line 3) Name of Business and EIN  _____			
c. Capital Gains/Losses (Column A: federal Form 1041, line 4) Description of property _____  _____			
d. Rents, Royalties, Partnership Income, Income from Other Estates and Trusts. (Column A: federal Form 1041, line 5) List the kind and location of each rental real estate property _____  _____			
e. Farm Income/Loss (Column A: federal Form 1041, line 6) .....			
f. Ordinary Gain/Loss (Column A: federal Form 1041, line 7) .....			
Description of Property _____			
g. Other Income (Column A: federal Form 1041, line 8) .....			
Description _____			
h. Total Income (combine lines 1a-1g) .....			
2. Column B: line 1h, column B divided by line 1h, column A .....			
3. Column A: federal Form 1041, lines 16, 19 and 20 Column B: Column A multiplied by line 2, column B .....			
4. Fiduciary Adjustment: Enter in column B the Maine source portion of the fiduciary adjustment from Form 1041ME, Schedule 1, line 3. ....			
5. Total Maine Income (line 1h, column B minus line 3, column B plus or minus line 4). Also enter this amount on Form 1041ME, Schedule 2, line g, column 6. ....			
6. Enter the percentage from Form 1041ME, Schedule 2, Column 3, line f as a decimal. ....			
7. Line 5 multiplied by line 6. Also enter this amount on Form 1041ME, line 3 ....			

# 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 Schedule NR on page 12.)

**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. Check the box for "Qualified funeral trust" on page one of the return. For a combined return, attach a schedule listing for each beneficiary: Maine taxable income, Maine income tax, name, social security number and 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 1041ME. 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 15, 2003. For fiscal year filers, the due date is the 15th day of the fourth month following the close of the taxable year.

## EXTENSIONS

A State of Maine extension request form is not 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. Any remaining tax must be paid when the return is filed by the extended due date in order to avoid the failure-to-pay penalty. Interest is charged on any tax paid after the original due date of the return.

Remit your estimated tax payment with the payment voucher on page 12 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, 2003, the interest rate is 7% per year, compounded monthly. 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

Show money items 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

The accounting period and the method of accounting used are the same as those used for federal tax purposes. If the taxable year or method of accounting is changed for federal income tax purposes, the change also applies to the Maine 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 the 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 failure-to-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.**



# GENERAL INSTRUCTIONS CONTINUED

## 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 April 15, June 15, September 15, and January 15. If you are subject to this requirement, read the instructions for Form 1040ES-ME available online at [www.maine.gov/revenue](http://www.maine.gov/revenue), or request estimated tax forms for fiduciaries by calling 207-624-7894.

**Note: Maine's trust/estate estimated tax 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.**

## THIRD PARTY DESIGNEE

You may designate a third party to discuss your return with Maine Revenue Services by checking the "Yes" box. Also enter the person's name, phone number, and any 5-digit number the person chooses as their personal identification number (PIN). Checking

the "Yes" box will enable Maine Revenue Services to call the person you have chosen if there are any questions or if additional information is needed to process your return.

## 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.maine.gov/revenue](http://www.maine.gov/revenue)

MAINE REVENUE SERVICES

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

# 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 for Schedule NR on page 12)

**Line 1. Federal Taxable Income.** Enter the amount of taxable income shown on federal Form 1041 and 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 any of the income adjustments apply, complete these schedules before proceeding with page 1 of the form. Detailed instructions for the schedules follow.

**Line 3. Maine Taxable Income.** Combine line 2 with line 1 and enter the result 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 \$4,200	2.0% of the taxable income
\$4,200 but less than \$8,350	\$84 plus 4.5% of excess over \$4,200
\$8,350 but less than \$16,700	\$271 plus 7.0% of excess over \$8,350
\$16,700 or more	\$856 plus 8.5% of excess over \$16,700

This tax rate schedule is effective for tax years beginning in 2002.

**Line 7a. Maine Income Tax Withheld.** Enter the total amount of Maine income tax withheld. Enclose (do not staple or tape) supporting W-2 and 1099 forms. Only send 1099 forms if there is State of Maine income tax withheld shown on them, unless otherwise required to send as supporting documentation for another schedule or worksheet. Legible photocopies of your W-2 forms and 1099 forms on 8 1/2 by 11 inch paper are acceptable.

**Line 7b. 2002 Estimated Tax Payments and 2001 Carried Forward.** Enter the total amount of estimated taxes actually paid for 2002 and any 2001 credit carried forward. See general instructions above for further explanation of estimated payments.

**Nonresident estates or trusts:** also enter on this line amounts withheld in 2002 on the sale of real estate in Maine. Enclose a copy of Form REW-1 to support your entry.

**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 combined amounts for both the beneficiaries and the estate or trust).

**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.



## SPECIFIC INSTRUCTIONS, continued

**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 2002 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. 30% Bonus Depreciation Add-back.** For tax years beginning in 2002, federal taxable income must be increased by the net effect of any 30% bonus depreciation reflected in federal taxable income. The amount of this modification is determined by first recalculating the depreciation deduction on federal Form 4562 exclusive of the 30% depreciation amount. Enter on line 1e the difference between this recalculated depreciation deduction amount and the original depreciation deduction claimed for federal income tax purposes.

**Line 1f. Other.** Enter the amount of loss, deductions, and other expenses 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. 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. Also enter amounts claimed as a business expense for federal tax purposes that are included in the investment credit for the high-technology investment tax credit.

**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 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 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. 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 2002. To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the check stub of the last pension check received from the Maine State Retirement System in 2002.

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

**Line 2f. Other Deductions.** Enter on this line Maine Lottery or Tri-State Lottery winnings received in 2002 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, 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)). Also enter long-term care insurance premiums paid by the estate or trust that were not previously claimed as an itemized deduction on the decedent's income tax return.

**Line 3. Net Fiduciary Adjustment.** 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. If Schedule 2, column 3, line f is 100%, enter the amount from Schedule 1 line 3 on line 2, page 1 of the form. If Schedule 2, column 3, line f is less than 100%, multiply the net fiduciary adjustment (line 1g minus line 2g) by the percentage on Schedule 2, Column 3, line f. Enter the result here and on page 1 of the form, line 2. **Nonresident trusts and estates:** Enter the total fiduciary adjustment from Maine sources on Schedule NR, line 4.

## SPECIFIC INSTRUCTIONS, continued

### 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 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 trust/estate's share of the fiduciary adjustment on Schedule 1, line 3. **Nonresident trusts or estates: Do not apply the percentage on line f to the fiduciary adjustment. Instead, enter the total fiduciary adjustment from Maine sources on Schedule NR, line 4.**

**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 5, column B. Complete lines a - e. Allocate line g to the nonresident beneficiaries in proportion to their respective shares of federal distributable net income. The income, as allocated, has the same character as for federal income tax 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 Maine-source income not allocable to beneficiaries shall be allocated to the estate or trust. If the shares in the Maine-source income are allocated in accordance with this paragraph, show the allocation in a schedule attached to the return.

### 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.maine.gov/revenue](http://www.maine.gov/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. Chapter 822.

**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 ("FAME") administers this program. FAME issues a tax credit certificate after verifying the eligibility of the investor. The estate/trust must enclose a copy of the certificate 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 for, 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.

## SCHEDULE A INSTRUCTIONS, continued

**Line 7. INVESTMENT TAX CREDIT.** The credit applies to investments made after December, 1988 and prior to April 2, 1996. Carryover provisions 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 Maine 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 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.

**Line 10. JOBS AND INVESTMENT TAX CREDIT\*.** A taxpayer, 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. Carryover provisions apply. 36 M.R.S.A. § 5215.

**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 taxable years immediately preceding June 12, 1997 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. Generally, 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 available at: [www.maine.gov/revenue](http://www.maine.gov/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. Carryover provisions apply. 36 M.R.S.A. § 5219-O.

**Line 17. CLEAN FUEL CREDIT\*.** The credit is 25% of expenditures made or incurred from January 1, 2002 to December 31, 2005 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. 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 and relates to eligible expenditures incurred after December 31, 1999. 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).

## SCHEDULE A INSTRUCTIONS, continued

A credit is available for 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\*.** Corporations and partnerships making certified quality child-care investments qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. Individual taxpayers 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 certifies 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.

**\*Complete the worksheets at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) when claiming any of these credits. Attach the worksheet(s) to the Maine return.**

## SCHEDULE NR INSTRUCTIONS

Schedule NR is used to determine the Maine taxable income of a nonresident estate or trust. Generally, Maine taxable income of a nonresident estate or trust is the Maine-source portion of its federal taxable income. The nonresident beneficiaries are taxed on their share of the Maine-source distributable net income. Resident beneficiaries are taxed on 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 federal Form 1041. 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.

- Step 1.** Complete Schedule NR, lines 1-5.
- Step 2.** Complete Schedule 2 on Form 1041ME, page 2.
- Step 3.** Complete Schedule NR, lines 6 and 7.
- Step 4.** Complete Form 1041ME, page 1.

*NOTE: Use the form below only if you are making a payment and filing Form 1041ME on extension.*

**2002  
1041ME-EXT**

**STATE OF MAINE  
EXTENSION PAYMENT VOUCHER  
for FIDUCIARY INCOME TAX**

**020098000**

NAME OF ESTATE OR TRUST	ESTATE/TRUST EIN
NAME AND TITLE OF FIDUCIARY OR TRUSTEE	FIDUCIARY SSN OR EIN
ADDRESS OF FIDUCIARY (NUMBER and STREET)	AMOUNT OF PAYMENT
CITY	\$ _____
STATE	_____
ZIP CODE	_____
<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;"> <i>NOTE: Write your EIN or social security number on your check.</i> </div>	

Please Type or Print



Detach this voucher and mail with check or money order payable to "TREASURER, STATE OF MAINE" to:  
Maine Revenue Services, P.O. Box 9108, Augusta, ME 04332-9108.