

MAINE TAX ALERT

A Publication of the Maine Bureau of Taxation for Tax Professionals

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Public Communications Tel: (207) 287-6362

COMBINED UNEMPLOYMENT INSURANCE AND WITHHOLDING TAX FORM

Effective January 1, 1997

The Maine Bureau of Taxation and the Maine Department of Labor are developing a combined form for reporting of Maine state income tax withholding and unemployment contributions. This new filing and payment procedure is intended to reduce the compliance burden on employers and make it easier to do business in Maine. At the same time, we are converting to high speed imaging and data collection scanners. This modern technology promises to reduce the cost of state government while increasing the speed and accuracy with which we process returns.

LEARN ABOUT THE CHANGE IN SPECIAL INFORMATION MEETINGS:

We have scheduled a series of morning meetings for employers and payroll professionals in several locations throughout the state. These meetings will introduce you to the new form and filing procedures and be your opportunity to ask questions and contribute your suggestions. **There is no charge for attending any of these meetings.** The meeting on August 20 is intended to address the particular concerns of payroll service companies, but others are welcome to attend.

AUGUSTA	Tuesday, August 20 State Office Building, Room 113 Capitol and Sewall Streets, Augusta	9:00 to Noon
AUGUSTA	Wednesday, August 21 State Office Building, Room 113 Capitol and Sewall Streets, Augusta	9:00 to Noon
ORONO	Thursday, August 22 Bennett Hall, Room 137 University of Maine, Orono	10:00 to 1:00

PORTLAND

Friday, August 23
Luther Bonney Auditorium
University of Southern Maine, Portland

9:00 to Noon

Some highlights of the new filing procedures are:

_Every employer required to withhold Maine income tax and pay Maine unemployment contributions will be able to use one return and one check to file and pay both taxes.

_The new combined form will be filed only on a quarterly basis.

_The due date for the new combined form will be the last day of the month following the end of the calendar quarter.

_Employers currently required to make semi-weekly or monthly payments of Maine income tax withholding will continue to do so.

_The entire combined form may be filed using magnetic media (tape or diskette). We encourage magnetic media filing by those having the capacity to do so.

_Paper facsimiles of the new form must be pre-approved by the Bureau of Taxation to ensure that they can be read by the scanning equipment.

Please join us at one of the seminars so that we can tell you about the new law and procedures and answer your questions.

SALES AND USE TAX SEMINARS - Reminder

The July Tax Alert included an invitation to the one-day Sales and Use Tax Seminars that the U.S. Small Business Administration is sponsoring with the Maine Bureau of Taxation.

The Seminars begins on August 28 in Machias with additional seminars on September 4 in Presque Isle, September 5 in Bangor, September 6 in Skowhegan, September 10 in Augusta, October 8 in Portland and October 9 in Kittery. CPE is available for the seminar. The fee of \$25 per person covers the cost of lunch and the textbook. The registration form was included in the July Tax Alert and is available on the Bureau's WebPage. Please register before August 12, 1996 to attend in this important seminar.

CORPORATE SHORT YEAR RETURNS

The decision of what year tax return to use for a short year corporate return is easy once you know that the Bureau of Taxation computer system is so literal that returns filing is understood down to the day of the month. The system is day specific for short year and fiscal year returns.

For example, a corporation begins business on April 1, 1995, with a fiscal year end of October 31, 1995. The short year state corporate return will be filed on a 1995 1120-ME. When the corporation files the first full year return covering the November 1, 1995 to October 31, 1996 period, this return will also be filed on a 1995 1120-ME. The Maine Automated Tax System will accept two 1995 returns for this period, because there is no overlap in days included on the two returns. One period ends on October 31, 1995 and another begins on November 1, 1995.

If the new corporation begins operations on December 28, 1994 and completes the short year on October 31, 1995, the first return will be filed on a 1994 1120-ME. The first ~~day~~ of the short year was in 1994.

AUGUST 15 FILINGS WITH EXTENSION

As you prepare your clients' extended individual income tax returns, please remember to attach a copy of the extension. Returns filed with extensions and with tax due will incur penalty and interest charges. We suggest that for your clients with high interest income from U.S. Treasury obligations and deductions for long-term care premiums attach that documentation to the return. Why not resolve any state questions about those modifications with the filing to save you time and your client money?

PRACTITIONERSHOTLINE USE

The practitioners' Hotline is intended only for the use of tax professionals who need information on state tax law and its administration. There have been too many instances in the past of preparers giving the number to their. The Bureau feels that this is a valuable service for tax professionals but must be reserved to tax professionals. We urge you to use this line in your practice only. The Hotline will not serve you well if the Bureau cannot handle call volume increased by taxpayer use of the line.

TAX SEASON CALLS FOR MISSING DOCUMENTS

Beginning in June 1995, the Bureau has tested a system of calling tax practitioners from the mail receiving room when staff discover that individual income tax returns have been filed without necessary W-2's or return pages. The staff made a total of 1221 telephone calls to preparers, held aside the returns and matched the missing documents to the returns as they arrived by facsimile or by mail. This system was instituted on the suggestion of a tax professional. As expected, we have found that solving the problem at the front end of return processing has saved us time and, we hope, time and unnecessary stress for tax professionals and their clients. The staff enjoyed making these calls because they found most of the professionals very pleasant and quick to respond to the document requests. Since many of the missing documents were the second page of the short form return, our staff request that tax professionals remind their clients that the short form is now two pages long and both pages must be filed together.

1996 TAX ALERT SURVEY

The Bureau of Taxation has received 236 responses to the survey in the May issue of Tax Alert. We appreciate your taking time to respond and hope that we will be able to make use of the responses to the benefit of the tax professional community. The Tax Alert is mailed to 4,000 tax professionals, payroll tax preparers, company tax departments, tax educators and national tax information organizations.

First, let's look at the readers who answered the survey: 63 of those responding describe their accounting employment as private company, 116 as public accounting and 35 as other. Only 7 readers are in government or not for profit and one in education. Not surprisingly, 52% of those responding to the survey are in public accounting. These readers are 62% from small firms, under 300 clients, 28% from firms with 300 to 1000 clients and 10% from firms with more than 1000 clients. More than 90% of those responding to the survey answered most questions.

We asked tax professionals to estimate how soon they would be using the Internet: 34.5% plan to use Internet within the next 12 months and 12.4% use internet now. However, 115 professionals report no plans for using Internet.

Here are a few of the survey results:

The Bureau's overall performance during the 1996 tax season was rated excellent by 15.7% and above average by 48.6% for a total 64.3% gave the Bureau an above average or better rating. The 1995 survey gave the Bureau a rating of 41.9% in excellent and above average categories, so perhaps we can say that our

recent efforts have contributed to the improvement in our rating. With 35.7% still finding the Bureau's performance average or worse, we certainly will continue to work for improvements.

Practitioner Hotline use has dropped among this group: Last year, 36% had used the line from one to three times during the previous 12 months. This year only 23% responded the same way.

We asked for a rating of Maine tax booklets, instructions and tax forms for all tax types. Nearly 36% rated these publications easy to understand and 53% rating them average in difficulty. For 1995 forms, the ratings of above average and excellent were given by 42.8% of those responding to the question, while 57.3% rated the publications below average.

There is an improvement over last year in the rating of the billing notices, with 43.2% rating the notices always or usually understood by clients. However, we still have 57.8% telling us billing notices are only occasionally or never understandable to their clients.

In communications with tax practitioners, the Bureau is now receiving ratings of excellent by 23.1% and above average by 53.8%, for a total of 76.9% of responses giving the Bureau a better than average rating. This compares to only 45.6% who gave the Bureau a better than average rating in 1995. There are still 23.1% rating the Bureau at average or below.

Tax Alert is very useful to 62.2%, with 32.9% ranking the publication as useful, 4.5% as marginally useful and .5% as not useful.

The survey requested suggestions for additional rules or bulletins by tax type: 46 requests for corporate clarifications, 72 for individual income tax, 55 for sales and use tax, 21 for withholding and 29 for estate tax; 45 requests for additional rules or bulletins on penalties and enforcement issues.

We have received complaints, suggestions, comments. We have compliments for Bureau staff by name, complaints about bills, slow refunds, the "no staple" policy. There are requests that we include two copies of each type of form in booklets, that we include estimated tax forms in all long form booklets for individual income tax. We have a variety of suggestions for ways in which Maine tax should conform to the federal tax system, in exemption amount, in billing format, in some return formats. There are many, very good suggestions, which we will definitely be working on.