



# MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

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Public Communications Tel: (207) 287-6838

## Snack Tax Repeal

Effective January 1, 2001, the sales and use tax will no longer be imposed upon snack foods. However, retailers are cautioned that some foods regarded as “snack foods” will continue to remain taxable either due to the particular item or due to the establishment from where it is sold. Candy, confections, liquid iced tea or coffee, carbonated drinks, and dietary supplements will remain taxable. Products that primarily contain candy or chocolate will be considered to be candy or confections.

Single-serve food products sold in eating establishments which primarily sell prepared food will continue to be taxable. These items will be considered to be part of a meal served by the eating establishment.

Sales of “prepared food” from locations such as donut shops, bagel shops, restaurants and cafeterias are taxable. However, bulk sales of food products considered as “grocery staples” would be exempt. This would include whole cakes, loaves of bread, gallons of milk, bags of coffee beans, etc. This would also include the sale of six or more donuts, muffins, cookies, pastries, bagels, etc. However, the sale by these establishments of less than six of these types of items would be subject to tax.

For further or more detailed information please refer to our notice on law changes effective January 1, 2001, Instructional Bulletins 12 – Grocers or 27 – Prepared Food, which are available on our website at <http://janus.state.me.us/revenue/> under Publications, or by contacting Maine Revenue Services.

## Sale of Electricity

Also effective January 1, 2001, the sale of electricity to those engaged in commercial agricultural production, commercial fishing and commercial aquaculture production is exempt from Maine sales tax. This exemption will be applied on a meter-by-meter basis; based upon the use of the electricity. If the electricity is used in a qualifying activity or in an activity in support of a qualifying activity, the electricity will be exempt. Taxpayers that hold a valid Maine Sales Tax Exemption Card for any of the above activities may purchase electricity used in those activities and supporting activities free from sales tax using their exemption card along with a supporting affidavit supplied to their electricity supplier. For further or more detailed information please refer to our notice on law changes effective January 1, 2001, Instructional Bulletins 44, 45 or 49 which are available on our website at <http://janus.state.me.us/revenue/> or by contacting Maine Revenue Services. Telephone: (207) 287-2336 or Maine Revenue Services, Sales/Excise Tax Division, P.O. Box 1065, Augusta, ME 04332-1065

## Maine E-File

MRS is on-track for a successful tax year 2000 E-Filing season. The number of software vendors that have expressed interest in participating for this coming season has roughly tripled in size, to thirteen. Vendors have begun testing and some have already been approved.

A new feature for the 2000 tax year are ECNs (Electronic Customer Numbers), which can be used in place of the signature document that needed to be signed and mailed in last year. If a taxpayer filed their 1999 1040-ME electronically, they will receive a letter with their ECN on it. If the taxpayer did not file electronically last year, but received a pre-printed booklet, their ECN is printed in the booklet. Using the ECN makes E-Filing a paperless filing method.

For more information on Maine 1040 E-File visit the MRS Web site at <http://janus.state.me.us/revenue/developers> or call the Maine 1040 E-File helpdesk at (207) 624-9730.

MRS is also offering Labor/Withholding Combined Quarterly (CQR) Return E-File this coming season. Payroll processors will be able to file returns via File Transfer Protocol (FTP) either by modem or Internet directly to MRS. MRS will immediately process the files and provide feedback to the filer on whether the return(s) have been accepted or if there are errors on specific returns. The benefits of E-Filing include quicker and more accurate filing of returns, feedback on return problems and a reduction in the amount of paper generated.

A handbook outlining the program and record layouts specifications will be available on December 26, 2000. For more information on Maine CQR E-File call the Maine CQR E-File helpdesk at (207) 624-9702.

## New Estate Tax Return

For any return filed on or after January 1, 2001, the Maine Estate Tax Form 706ME has a new look. Changes were necessary to better accommodate Maine Revenue Services' imaging and scanning system. You may request the new 706ME Estate Tax return free of charge by calling our forms line at (207) 624-7894, by requesting it on Form 2333ME or by downloading it from the Internet at <http://www.state.me.us/revenue>. **Note: you must file an original or downloadable state form – photocopies are not acceptable.**

Maine has adopted an automatic paperless extension policy that also applies to the Estate Tax. If you are unable to file the estate tax return within nine (9) months of the date of death, Maine will allow an automatic six-month extension of time to file. Requests for additional time to file must be submitted in writing prior to the expiration of the 6-month period. Generally, the total extension period cannot exceed 8 months. **CAUTION: An extension to file the Maine Estate Tax return is not an extension for the payment of tax.** If the estate owes money, a payment of at least 90% of the amount due must be paid by the original due date for filing the return in order to avoid a failure to pay penalty. Interest is charged on any tax paid after the original due date of the return.

### **Individual Income Tax Estimated Tax Payments via ACH Debit Payment**

Beginning with the 2001 quarterly estimated tax payments, individual income taxpayers will have the option of paying their estimated tax electronically. Taxpayers can authorize Maine Revenue Services to withdraw the payment directly from their checking or savings account by writing in their bank routing number, account number and indicating whether the payment is to be taken from the checking or savings account. This information is to be provided on the reverse side of the estimated paper voucher. The information requested authorizes Maine Revenue Services to disclose the taxpayer's social security number listed on the form to their financial institution for the sole purpose of deducting the estimated tax payment directly from their bank account. Note that Maine Revenue Services will not notify the taxpayer when the funds have been withdrawn.

### **Get Income Tax Refunds Quicker**

Maine Revenue Services encourages taxpayers to take advantage of the direct deposit option for refunds. This option allows us to deposit any refund of \$2,000 or less directly into the taxpayer's savings or checking account and reduces the turn around time of the refund by five to seven working days. Before filing the taxpayer should contact the financial institution to make sure the direct deposit will be accepted and to get the correct routing number and account number. The account type should be indicated on the return, but, if left blank, will default to the checking account.

This is a particularly good choice for those taxpayers who will be leaving the state for an extended period during the filing period or who may be moving sometime after filing their state tax return.

### **Tips on Return Preparing**

**Taxpayer Information:** Double check that information on the top portion of the return is accurate. Check the Social Security number, name spelling and address.

Include income and withholding amounts from your clients' 1099s.

**Income Modifications:** Be sure to include necessary additions to and deductions from federal adjusted gross income on Schedule 1.

**Itemized Deductions:** Be sure to fill out Schedule 2 to adjust federal itemized deductions to determine total Maine itemized deductions.

**Credit for Taxes Paid to Other Jurisdictions:** A copy of the other state tax return must be filed with the Maine return to receive this credit. Please refer to the article *Credit for Taxes Paid to Another Jurisdiction –Massachusetts* printed in the April/May/June 2000 Maine Tax Alert that can be found at our Web site.

**Non-resident Returns:** For clients filing schedule NR as a part-year resident, the residency dates must be filled in at the top of the form. Please make sure that all necessary documentation accompanies the return.

Submit returns only when complete information is available to you. This will avoid filing an amended return quickly after filing the original return.

**MAINE REVENUE SERVICES:** <http://janus.state.me.us/revenue>  
 ....Order tax forms through the Web site.....

**Suggestions for the Tax Alert?**  
**Please contact: Public Communications**

This publication is designed to keep taxpayers, tax practitioners and the general public informed of developments, problems, questions and matters of general interest concerning Maine tax law, policy and procedure. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for Maine tax laws and/or regulations.

**STATE OF MAINE**  
  
**Angus S. King, Governor**  
  
**Janet E. Waldron, Commissioner**  
**Administrative and Financial Services**  
  
**Anthony J. Neves, Executive Director**  
**Maine Revenue Services**

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 287-2076	(207) 287-5855	
1040 E-File	(207) 624-9730	(207) 624-9740	
CQR E-File	(207) 624-9702	(207) 624-9740	<a href="mailto:tax_compliance@state.me.us">tax_compliance@state.me.us</a>
Central Registration	(207) 287-2338	(207) 287-3733	<a href="mailto:corporate_tax@state.me.us">corporate_tax@state.me.us</a>
Collections & Compliance	(207) 624-9595	(207) 287-6627	<a href="mailto:electronic_funds_transfer@state.me.us">electronic_funds_transfer@state.me.us</a>
Corporate Tax	(207) 624-9670	(207) 287-6627	<a href="mailto:income_estate_tax@state.me.us">income_estate_tax@state.me.us</a>
Electronic Funds Transfer	(207) 287-8276	(207) 287-6965	<a href="mailto:sales_tax@state.me.us">sales_tax@state.me.us</a>
Estate Tax	(207) 626-8480	(207) 624-9694	
Fuel Tax	(207) 624-9745	(207) 287-6628	<a href="mailto:income_estate_tax@state.me.us">income_estate_tax@state.me.us</a>
Forms Request Line	(207) 624-7894	(207) 622-3517	
Income Tax Assistance	(207) 626-8475	(207) 624-9694	
Insurance Premium Tax	(207) 624-9582	(207) 624-9694	
Paym't Plan/Income Tax	(207) 621-4300	(207) 621-4328	
Payment Plan/Other	(207) 624-9595	(207) 287-6627	<a href="mailto:property_tax@state.me.us">property_tax@state.me.us</a>
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2011	(207) 287-6396	<a href="mailto:sales_tax@state.me.us">sales_tax@state.me.us</a>
Public Communications	(207) 287-6838	(207) 287-3618	<a href="mailto:abandoned_property@state.me.us">abandoned_property@state.me.us</a>
Sales Tax	(207) 287-2336	(207) 287-6628	
Taxpayer Advocate	(207) 624-9649	(207) 624-9694	<a href="mailto:withholding_tax@state.me.us">withholding_tax@state.me.us</a>
TTY Service	(207) 287-4477	-----	
Withholding Tax	(207) 626-8475	(207) 624-9694	

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**MAINE REVENUE SERVICES**  
**24 State House Station**  
**Augusta ME 04333-0024**  
**Return Service Requested**