



MAINE TAX ALERT

A Publication of Maine Revenue Services for Tax Professionals

Volume 19, No. 6

August, 2009

Public Communications Tel: (207) 626-8478

Maine Residents Property Tax and Rent Refund "Circuitbreaker" Program

The Maine Residents Property Tax and Rent Refund "Circuitbreaker" Program began on August 1, 2009. Applications for refunds of property tax assessed or rent paid during 2008 will be accepted through June 1, 2010. The General portion of the program provides refunds of up to \$1,600 to persons of any age whose household income for 2008 was not more than \$61,400 for single-member households and not more than \$81,850 for those who lived with a spouse or dependent(s). To qualify for a refund, the 2008 property tax must be more than 4 percent of household income or the rent paid must be more than 20 percent of household income.

Senior program refunds are available to applicants who were at least 62 in 2008 (55 or over if disabled). In addition, for persons living alone, the household income for 2008 cannot be more than \$13,900; for a single person living with a dependent, or a married person who lived with a spouse, the 2008 household income cannot be more than \$17,200.

Applicants who qualify for both the Senior and General refunds will receive the larger of the two.

Applications may be filed by computer using I-file at www.maine.gov/revenue/netfile/TNRIfile.htm. Applications may also be filed by mail.

To maximize participation in the program, Maine Revenue Services is conducting the following outreach efforts to inform citizens about the program:

Direct Mail: In late July, the Bureau mailed 152,000 application booklets directly to Maine households who applied for the program last year or requested that an application booklet be mailed to them by use of the check-off on Maine income tax returns filed this year.

Program Information Sheets and Program Posters: Program information sheets and posters were provided to each municipal office in the State and are also being provided to Area Agencies on Aging, Community Action Agencies, Pine Tree Legal offices, Bureau of Elder and Adult Services, DHHS District Offices, Health Clinics, Career Centers, Public Libraries and Adult Education locations. Program booklets may also be downloaded at www.maine.gov/revenue/forms/tnr/tnr.htm.

MRS web site: Program information, including the complete application booklet, I-file application, program summary and frequently asked questions, has been posted to the Maine Revenue Services web site. The information is easily accessible at www.maine.gov/revenue/taxrelief/tnr.htm.

Business Equipment Tax Reimbursement Program

The application period for the Business Equipment Tax Reimbursement program (BETR) began August 1, 2009. The program reimburses local property taxes paid on most qualified business property. Qualified business property must have been first placed in service in Maine after April 1, 1995. An annual application must be filed between August 1, 2009 and December 31, 2009 for eligible property taxes paid during calendar year 2008.

BETR application booklets have been mailed to businesses that have previously applied for reimbursement. Downloadable versions of the forms and instructions are also available on the MRS web site at www.maine.gov/revenue/forms. Other businesses wanting to take advantage of the program can order the application booklet by calling the forms line at (207) 624-7894.

Maine Sales Tax Seminars Recent Legislative changes to Sales, Use and Service Provider Taxes

Recent legislation has made a number of changes to the sales, use and service provider tax laws affecting a wide range of taxpayers. Maine Revenue Services (“MRS”) is committed to providing accessible and affordable educational opportunities to as many taxpayers as possible. In an effort to reduce your travel time, eliminate the need for you to leave your business during normal work hours and to make these sessions affordable, these seminars are being provided at numerous locations across the state, during the afternoon and evening hours and at no charge. More information and a seminar agenda are available on the MRS web site at www.maine.gov/revenue/salesuse/salestax/Symposiums2009.htm.

2009 Estate Tax Form 706ME Posted Estate Tax Law Changes

Maine Revenue Services recently posted the 2009 Maine Estate Tax Form 706ME to the MRS web site at www.maine.gov/forms. Note that the form now includes a new line for taxable gifts made within one year prior to the death of the decedent (see line 4D). Also, to facilitate timely, efficient processing of the return, a copy of the decedent’s federal income tax return, including all schedules, must now be attached to the Maine estate tax return. See Step 6 on page 2 of the return and related instructions on page 4. Worksheet 706C has been expanded for 2009 and a completed copy must now be attached to a Maine estate tax return if the estate contains either Maine elective property or if the decedent had made any prior taxable gifts.

Following is a summary of recent estate tax law changes:

- **Ongoing application of tax.** The Maine estate tax will continue beyond 2009, despite what may occur with the federal estate tax. For deaths after December 31, 2009, the Maine estate tax will be calculated the same as for deaths occurring during 2009.
- **Prior taxable gifts.** For deaths occurring on or after January 1, 2009, taxable gifts made within one year prior to death will be subject to the Maine estate tax and must be included in the decedent's Maine taxable estate. Prior taxable gifts subject to the Maine estate tax are those gifts in excess of the federal gift tax exclusion made within one year prior to death, but no earlier than January 1, 2008. See new line 4D on Form 706ME and worksheet 706C.
- **Final federal determination.** The State Tax Assessor's authority to make adjustments to estate tax returns even in cases where a final federal determination has been issued is extended beyond 2009, except that the changes by the assessor, if any, must be made within one year of the date the return was filed instead of within the prior law 2-year period. This change applies to estates of decedents dying on or after July 1, 2009.
- **Discharge of liability.** Maine Revenue Services is in the process of creating an application for the discharge of personal liability of the personal representative of an estate. When finished, this application will be posted to the MRS web site. Maine Revenue Services will also report to the Taxation Committee, by 1/15/10, the differences in the requirements and procedures between the IRS and MRS for the discharge of liability for a personal representative of an estate. Effective September 12, 2009.

Maine Revenue Services Criminal Tax Cases

Maine Tax Preparer Convicted; 41 Counts of Evasion

Robert A. Grover, a tax preparer from Manchester, Maine, pleaded no contest and was found guilty in Kennebec Superior Court on December 17, 2008 to 41 Counts of Maine Income Tax Evasion. This resulted from an 18-month criminal investigation conducted by Maine Revenue Services' Criminal Investigations Unit (CIU). Mr. Grover was sentenced on June 18, 2009 to four years in jail, with all but one year suspended and two years of probation. Mr. Grover was ordered, as part of the Judgment and as condition of his probation, to pay restitution of \$75,000. The investigation revealed how Mr. Grover repeatedly made deductions with no basis of fact, both on his own tax returns, as well as his clients' returns. Mr. Grover came up with numbers that had little relation to the numbers actually given to him by his clients. Some examples of how Mr. Grover nearly eliminated any tax liability are as follows: Deducting home mortgage interest as a business expense; deducting depreciation expenses on personal vehicles; personal life insurance premiums, personal health insurance premiums and home insurance premiums were deducted as a business expense; all utility costs for home heating oil, home electricity and home phone were deducted as business expenses; both the standard mileage deduction and actual expenses for the same vehicle were deducted in the same year; commuter

mileage was claimed as a business expense; and substantial deductions were listed for Cost of Goods Sold on businesses that never sold anything. Mr. Grover also wrote off all-terrain vehicles and snowmobiles as business expenses; Mr. Grover had failed to report capital gains from the sale of assets on some of his customers' form Schedule D; plus, Mr. Grover fabricated and/or inflated deductions related to his customers' rental properties on form Schedule E.

Mr. Grover is now completely out of the tax preparation business, since he has been enjoined by the Federal Government from preparing any tax returns. Maine Revenue Services' Compliance Division is in the process of auditing former clients of Mr. Grover, who still need to address their tax issues. Any taxpayers who were affected by Mr. Grover can contact Maine Revenue Services' Tax Compliance Unit at (207)624-9647. Any of Mr. Grover's former clients, who cooperate with Maine Revenue Services to correct any returns Mr. Grover prepared, are being absolved of any civil penalties. Maine Revenue Services continues to investigate other unscrupulous tax preparers.

January-June 2009, Maine Criminal Tax Convictions:

On February 2, 2009 Stephen Hodgkins of Rockport, Maine, pled guilty in Rockland District Court to six Counts of Failure to Pay Maine Income Tax for tax years 2002-2007. The Court sentenced him to six months in jail, with all but five days suspended and two years of probation, during which time he must pay restitution of \$12,461 at the rate of \$150 per month.

On February 25, 2009, Kristen Wescott of Portland, Maine pled guilty in Portland Superior Court to two Felony Counts of Class C Theft by Misapplication for the tax year 2007. Ms. Wescott is required to pay restitution in the amount of \$7,408 at the rate of \$200 per week. Ms. Wescott will be sentenced in October 2009, where the court will evaluate Ms. Wescott's compliance with her restitution payments before ordering a sentence.

On March 3, 2009, Stephen Broy of Old Orchard Beach, Maine and Saco, Maine pled guilty in Biddeford District Court to five Counts of Failure to Make and File Maine Income Tax Returns for tax years 1998-2003. Mr. Broy was sentenced to ninety days in jail, with all but ten days suspended and two years of probation. As a condition of his probation, Mr. Broy was ordered to pay a minimum of \$200/month toward his restitution of \$45,000.

On March 11, 2009, Arthur Winschel of Yarmouth, Maine pled guilty in Portland Superior Court to six Counts of Failure to Make and File Maine Income Tax for tax years 2002-2007. Mr. Winschel was sentenced to ninety days in jail with all but four days suspended and two years of probation. As a condition of his probation, he is required to pay a minimum of \$300/month towards his restitution of \$20,933.

On March 12, 2009 Thomas Prendergast of Rumford, Maine and Mexico, Maine pled guilty in Oxford County Superior Court to six Counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Prendergast was sentenced to 120 days in jail with all but seven days suspended and two years of probation. Mr. Prendergast is required to pay \$2,500 per quarter towards his restitution of \$21,795.

On March 17, 2009, Richard Smith of Standish, Maine pled guilty in Bridgton District Court to five Counts of Failure to Make and File Maine Income Tax Returns for the tax years 2002-2006. Mr. Smith was sentenced to ninety days in jail, all suspended and two years of probation. Mr. Smith was also ordered to pay restitution in the amount of \$6,134 and, as a special condition of probation, he must make payments of at least \$100/month each month.

On April 28, 2009, Ruben DelAguila of Montville, Maine pled guilty in Belfast District Court to four counts of Failure to Make and File Maine Income Tax Returns for tax years 2004-2007. Mr. DelAguila was sentenced to sixty days in jail, with all but five days suspended and was put on a one-year period of administrative release. As conditions of his administrative release, he is required to pay restitution of \$8,897 within one year and to file his 2009 income tax return on or before April 15, 2010. In addition, the \$8,897 was ordered as a separate restitution order as part of the sentence.

On April 30, 2009, James Murphy of York Beach, Maine pled guilty in York District Court to six Counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Murphy was ordered to serve a six-month period of deferred disposition. During his deferred disposition, Mr. Murphy is required to pay restitution of \$7,537 and must file and pay all future taxes on time.

On May 5, 2009, Joey Leathers of Winslow, Maine pled guilty in Waterville District Court to six Counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Leathers was ordered to serve a one-year period of deferred disposition. As a condition of his deferred disposition, Mr. Leathers must pay \$100/week towards his restitution amount of \$7,975.84. He also must file and pay all future State income tax returns on time.

On May 5, 2009, Randall Robinson of Cushing, Maine pled guilty in Knox County Superior Court to six Class C Felony Counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Robinson was ordered to serve a one-year period of deferred disposition. As conditions of his deferred disposition, Mr. Robinson must pay \$200 per month towards his restitution of \$6,077 and he must file and pay his 2009 return on time.

On May 20, 2009, Michael Lilja of Skowhegan, Maine pled guilty in Skowhegan District Court to five counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2004 and 2006-2007. Mr. Lilja was ordered to serve a one-year period of deferred disposition. The conditions of his deferred disposition require Mr. Lilja to pay \$100/week towards his restitution of \$5,903. Mr. Lilja must also file and pay all future Maine State income tax returns on time.

On May 20, 2009, Yolanda Gessner of Bath, Maine pled guilty in West Bath District Court to six counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Ms. Gessner was sentenced to sixty days in jail, with all but five days suspended and one year of probation. Ms. Gessner was ordered to pay restitution in the amount of \$6,210 at a minimum rate of \$450/month.

On May 28, 2009, Shane Prior of Cushing, Maine pled guilty in Rockland District Court to

four counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2005. Mr. Prior was ordered to serve a one-year period of deferred disposition. The conditions of his deferred disposition require Mr. Prior to pay \$200/week towards his restitution amount of \$5,902 and that he file and pay all future Maine State income taxes on time.

On June 2, 2009, Duane Pierce of Farmingdale, Maine pled guilty in Augusta District Court to six counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Pierce was ordered to serve a one-year period of deferred disposition. A special condition of his deferred disposition is that Mr. Pierce is required to file and pay all future State income taxes on time. There was no restitution requirement with respect to Mr. Pierce, because he had already paid the \$4,508 due prior to court.

On June 2, 2009, Raynold Dudley of South China, Maine pled guilty in Augusta District Court to six counts of Failure to Make and File Maine Income Tax Returns for tax years 2002-2007. Mr. Dudley was ordered to serve a one-year period of deferred disposition. Mr. Dudley's conditions of deferred disposition require him to pay restitution of \$623.50 to Maine Revenue Services and that he file and pay all future State income taxes on time. Mr. Dudley's original restitution would have been \$10,733; however, pursuant to a wage levy and through refunds received on his Federal Income Tax return, the majority of his restitution had been paid by the time of his plea.

On June 12, 2009, Michael Palmer of Westbrook, Maine pled guilty in Portland Criminal Court to three counts of Felony Class C Failure to Make and File Maine Income Tax Returns for tax years 2005-2007. Mr. Palmer was sentenced to 60 days in jail, with all but five days suspended and one year of administrative release. The conditions of his administrative release require him to timely file and pay his 2009 tax return. Mr. Palmer is also required to pay a minimum of \$100/month towards his restitution of \$6,743.

On June 16, 2009, Charles Clune of Newburgh, Maine pled guilty in Bangor Superior Court to four counts of Felony Class C Failure to Pay Maine Income Tax and one count of Class C Felony Failure to Make and File Maine Income Tax Returns for tax years 2003-2007. Mr. Clune was sentenced to five days in jail and had paid his restitution of \$7,351 in full, prior to court.

On June 18, 2009, Donald Poulin of Augusta, Maine pled guilty in Kennebec County Superior Court to a six-count Information of Class C Felony Evasion of Maine Income Tax for tax years 2002-2007. Mr. Poulin was sentenced to ten days in jail and ordered to pay \$13,567 in restitution which he paid at Court.

<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	
Appellate	(207) 624-9854	(207) 287-3294	
Central Registration	(207) 621-5129	(207) 287-3733	division.uctax@maine.gov
Collections & Compliance	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Corporate Tax	(207) 624-9670	(207) 624-9694	corporate.tax@maine.gov
Economic Research	(207) 624-9789	(207) 287-3618	
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 624-9740	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 287-8276	(207) 287-6975	efunds.transfer@maine.gov
Estate Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel Tax	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894		
Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
Insurance Premium Tax	(207) 624-9753	(207) 624-7729	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	compliance.tax@maine.gov
Payment Plan/Other	(207) 624-9595	(207) 287-6627	compliance.tax@maine.gov
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 287-2013	(207) 287-6396	prop.tax@maine.gov
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	sales.tax@maine.gov
Tax Clearance Letters	(207) 624-9628	(207) 287-6627	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	taxpayer.advocate@maine.gov
Withholding Tax	(207) 626-8475	(207) 624-9694	withholding.tax@maine.gov
Tax Violations Hot Line	(207) 624-9600		

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

John Elias Baldacci, Governor

Ryan Low, Commissioner
Administrative and Financial Services

Jerome D. Gerard, Acting Executive
Director, Maine Revenue Services

Suggestions for the Tax Alert?

Please contact: Public Communications (207) 626-8478

Maine Revenue Services
24 State House Station
Augusta, Maine 04333-0024