



MAINE TAX ALERT

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New Maine Subtraction Modification Allowed for Certain “Circuitbreaker” and Other Property Tax Refunds Included in Federal Adjusted Gross Income

For federal tax purposes, amounts deducted on the federal tax return that are returned or refunded to a taxpayer in a subsequent tax year may be required to be added back to income as “recovery” income. The recovery may be included in the “other income” line (for 2009, line 21) of federal Form 1040.

Maine taxpayers are allowed to subtract a portion, or the entire amount, of the recovery included in federal adjusted gross income to the extent that the earlier federal deduction was not taken on the Maine tax return. For the first time in tax year 2009, recovered items may include real estate taxes paid that were used to increase the federal standard deduction in 2008. These amounts were not included in the 2008 Maine standard deduction amount.

Taxpayers qualifying to subtract the recovered property tax refund income may do so on Form 1040ME, Schedule 1, line 2k “other subtractions” (whether filing via paper return, Maine I-File, or Maine E-File). Following the first example in IRS Publication 525, page 22, 3rd column (taxpayer paid real property taxes of \$800 in 2008, claimed \$500 in real property taxes as part of the additional federal standard deduction in 2008, received a \$400 real property tax refund in 2009, and had potential recovery income of \$100), the amount of recovery income related to the real property tax refund actually included on federal Form 1040, line 21 would be deducted on Maine Form 1040ME, Schedule 1, line 2k. If that amount was \$100, the Maine subtraction modification on line 2k would be \$100.

Note that the prior versions of the Maine forms and instructions did not address this subtraction modification. The forms and instructions posted to the web have been revised to reflect this change and developers of tax software are being notified.

Sales/Use Tax Policy Change Aircraft Sales Tax Exemption

36 MRSA §1760, sub-§88 provides a sales tax exemption for “sales or leases of aircraft that weigh over 6,000 pounds, that are propelled by one or more turbine engines or that are in use by a Federal Aviation Administration classified 135 operator.”

In the past, Maine Revenue Services used the aircraft's empty weight for purposes of determining whether the aircraft exceeded the 6,000 pound exemption threshold. MRS' new policy is to use the plane's "maximum certificated takeoff weight," as determined by the Federal Aviation Administration. This change will be effective immediately.

| <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) 287-3618 | |
| 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) 287-6628 | 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

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Suggestions for the Tax Alert?

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