



# MAINE TAX ALERT

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## Many Maine Taxpayers May Need to File AMENDED 2017 Maine Income Tax Returns and Adjust Withholding and Estimated Tax for 2018

As previously announced in the [May Tax Alert](#), Maine has not adopted recent federal tax law changes enacted after December 31, 2016, including the federal *Tax Cuts and Jobs Act* (December 22, 2017), the *Bipartisan Budget Act of 2018* (February 9, 2018), and the *Consolidated Appropriations Act, 2018* (March 23, 2018).

Although most of the federal changes apply to tax years beginning on or after January 1, 2018, some affect tax years beginning in 2017. Because Maine has not adopted the federal tax changes enacted after December 31, 2016, many taxpayers who have already filed a 2017 Maine income tax return may be required to amend that return.

Maine Revenue Services (MRS) has identified the most significant provisions that may require amended returns to be filed for tax year 2017. MRS expects that more than 15,000 taxpayers will be affected by nonconformity. **Affected taxpayers who have already filed a 2017 Maine income tax return are urged to file an amended return in a timely manner to avoid interest and penalty assessments.** Generally, 36 M.R.S. § 5227-A requires a Maine amended return to be filed whenever there is a change or correction affecting the taxpayer's income tax liability within 180 days from the date of the change or correction to avoid the assessment of penalties; however, Maine Revenue Services will abate interest and penalties that would otherwise apply to affected 2017 amended returns filed on or before October 15, 2018.

### **Tax years beginning in 2017**

To determine whether you need to amend a 2017 income tax return, see the new *2017 Additional Worksheet to Report Certain "Other" Modifications to Maine Income Related to Federal Tax Law Changes After December 31, 2016* and the revised 2017 instructions for individual, fiduciary and corporate income taxes will be available within a few days at: [www.maine.gov/revenue/forms/homepage.html](http://www.maine.gov/revenue/forms/homepage.html).

The new worksheets and revised instructions reflect the following changes:

### **Individual Income Tax**

- Form 1040ME, Schedule 1, lines 1e and 1f instructions – to reflect nonconformity with federal bonus depreciation changes. If these changes apply to you, you may also need to amend the Maine capital investment credit you claimed for 2017. See the Maine Capital Investment Credit Worksheet for Tax Year 2017.
- Form 1040ME, Schedule 1, lines 1h and 2i – to reflect nonconformity with other federal income and expense changes. See the new *2017 Additional Worksheet to Report Certain “Other” Modifications to Maine Income Related to Federal Tax Law Changes After December 31, 2016*.
- Form 1040ME, Schedule 2 instructions – to reflect nonconformity with changes made to federal itemized deductions, including:
  - Medical and dental expenses (federal Schedule A, line 4);
  - Mortgage insurance premiums (federal Schedule A, line 13);
  - Qualified contributions (federal Schedule A, line 16); and
  - Qualified disaster losses (federal Schedule A, lines 20 and 28).

#### Fiduciary Income Tax for Estates and Trusts

Many of the changes noted above relative to individual income tax taxpayers will also apply to Maine fiduciary income tax returns (Form 1041ME). See updated instructions for Form 1041ME, Schedule 1, lines 1e and 1f, and the new *2017 Additional Worksheet to Report Certain “Other” Modifications to Maine Income Related to Federal Tax Law Changes After December 31, 2016* for Form 1041ME, Schedule 1, lines 1g and 2f.

#### Corporation Income Tax

- Form 1120ME, lines 4e and 4f instructions – to reflect nonconformity with federal bonus depreciation changes. Note: If these changes apply to you, you may also need to amend the Maine capital investment credit you claimed for 2017 (see the Maine Capital Investment Credit Worksheet for Tax Year 2017); and
- Form 1120ME, lines 2j and 4g instructions – to reflect nonconformity with other federal income and deduction changes – see the new *2017 Additional Worksheet to Report Certain “Other” Modifications to Maine Income Related to Federal Tax Law Changes After December 31, 2016*;

#### **Tax years beginning on or after January 1, 2018**

Maine taxpayers are advised to review their Maine income tax withholding and estimated income tax liability for 2018 in light of Maine not adopting the federal tax law changes enacted after December 31, 2016 and make adjustments as needed.

Significant changes that Maine has not adopted for the 2018 tax year include, but are not limited to:

- Federal suspension of the personal exemption deduction; Maine retains the personal exemption deduction as provided for the taxable year by the Internal Revenue Code (the “Code”) as amended through December 31, 2016.
- Federal changes in the calculation of itemized deductions, including the reduction in the federal adjusted gross income floor from 10% to 7.5% used to calculate the allowable deduction for medical and dental expenses, the \$10,000 limitation on state and local taxes (including the deduction for property taxes), the increased limitation on charitable contributions, the suspension of certain miscellaneous itemized deductions, the suspension of the overall limitation on itemized deductions, the suspension of the deduction for moving expenses, etc.
- Federal exclusion of income from the discharge of student debt and combat zone benefits paid to armed forces in the Sinai Peninsula of Egypt.
- Relief for 2016 disaster areas affecting income and deductions.
- Treatment of ABLE program contributions and distributions (rollovers from college tuition “§ 529” accounts) and distributions from “§ 529 accounts” for elementary and secondary school expenses.
- Federal bonus depreciation. However, note that the Maine capital investment credit still applies relative to federal bonus depreciation claimed, up to 50%, for property placed in service in Maine during the tax year.
- Federal increased §179 expense deduction limits applicable to property placed in service during the tax year.
- Federal reduction in the limitations on the net business interest expense deduction.
- Federal repeal of the corporate alternative minimum tax (Maine retains its alternative minimum tax based on the federal alternative minimum tax as provided by the Code as amended through December 31, 2016).
- Federal treatment of international business income and deductions.

Taxpayers and practitioners with questions regarding Maine income tax should contact Maine Revenue Services at (207) 626-8475 or go to the MRS website at [www.maine.gov/revenue](http://www.maine.gov/revenue).

## Fraud Alert

If you believe you are a victim of identity theft or that a breach of personally identifiable information has occurred, contact MRS at (207) 626-8475 or email [fraudalert.mrs@maine.gov](mailto:fraudalert.mrs@maine.gov) as soon as possible. Timely notification assists MRS in preventing fraudulent tax refunds.

<u>Department</u>	<u>Telephone Numbers</u>	<u>FAX Numbers</u>	<u>E-mail Addresses</u>
Taxpayer Service Center	(207) 626-8475	(207) 287-5855	
Central Registration	(207) 624-5644	(207) 287-6975	<a href="mailto:taxregistration@maine.gov">taxregistration@maine.gov</a>
Collections & Compliance	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Corporate Tax	(207) 624-9670	(207) 624-9694	<a href="mailto:corporate.tax@maine.gov">corporate.tax@maine.gov</a>
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 287-6628	<a href="mailto:efile.helpdesk@maine.gov">efile.helpdesk@maine.gov</a>
Electronic Funds Transfer	(207) 624-5625	(207) 287-3618	<a href="mailto:efunds.transfer@maine.gov">efunds.transfer@maine.gov</a>
Estate & Fiduciary Tax	(207) 626-8480	(207) 624-9694	<a href="mailto:estatetax@maine.gov">estatetax@maine.gov</a>
Fuel & Special Taxes	(207) 624-9609	(207) 287-6628	<a href="mailto:fuel.tax@maine.gov">fuel.tax@maine.gov</a>
Forms Request Line	(207) 624-7894		
Individual Income Tax Assistance	(207) 626-8475	(207) 624-9694	<a href="mailto:income.tax@maine.gov">income.tax@maine.gov</a>
Insurance Premium Tax	(207) 624-9753	(207) 624-9694	
NexTalk (TTY Service)	(888) 577-6690		
Payment Plan/Income Tax	(207) 621-4300	(207) 621-4328	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Payment Plan/Other	(207) 624-9595	(207) 287-6627	<a href="mailto:compliance.tax@maine.gov">compliance.tax@maine.gov</a>
Practitioners' Hotline	(207) 626-8458	(207) 624-9694	
Property Tax	(207) 624-5600	(207) 287-6396	<a href="mailto:prop.tax@maine.gov">prop.tax@maine.gov</a>
Public Communications	(207) 626-8478	(207) 624-9694	
Sales Tax	(207) 624-9693	(207) 287-6628	<a href="mailto:sales.tax@maine.gov">sales.tax@maine.gov</a>
Tax Clearance Letters	(207) 624-9595	(207) 287-6627	
Office of Tax Policy	(207) 624-9677	(207) 287-3618	
Taxpayer Advocate	(207) 624-9649	(207) 287-3618	<a href="mailto:taxpayer.advocate@maine.gov">taxpayer.advocate@maine.gov</a>
Withholding Tax	(207) 626-8475	(207) 624-9694	<a href="mailto:withholding.tax@maine.gov">withholding.tax@maine.gov</a>
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.

Suggestions for the Tax Alert?

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