



2006

MAINE ESTATE TAX RETURN FORM 706ME

FOR ESTATES OF DECEDENTS DYING DURING CALENDAR YEAR 2006.



00

\*061000\*

This return is due nine months after the date of death. [ ] Check here if this is an amended return

STEP 1

Form fields for Step 1: Estate of: First Name, M.I., Last Name; Social Security Number (SSN); Date of Death (MM-DD-YY); Domicile at Date of Death: Street Address; City/Town, State, ZIP Code, County; Name of Personal Representative or Person In Possession of Decedent's Property (First Name, M.I., Last Name); Personal Representative's SSN, Telephone Number; Personal Representative's Mailing Address; City/Town, State, ZIP Code.

STEP 2

Authorization is granted to the representative listed below to receive copies of confidential tax information under 36 M.R.S.A. § 191 and to act as the estate's representative before Maine Revenue Services.

Form fields for Step 2: Firm Name; Contact Person: First Name, M.I., Last Name; Mailing Address; City/Town, State, ZIP Code, Telephone Number.

STEP 3

Decedent's Maine Residency Status (check one) [ ] Resident [ ] Nonresident

STEP 4 - TAX COMPUTATION

Table with 5 columns: Line number, Description, and Amount. Rows include: 1. Gross value of property taxable by Maine; 2. Value of total federal gross estate; 3. Percentage of property taxable by Maine; 4A. Federal tentative taxable estate; 4B. Federal adjusted taxable gifts; 4C. Add lines 4A and 4B; 4D. Elected Maine Qualified Terminable Interest Property (QTIP); 4E. Maine Elective Property; 4F. Maine Taxable Estate; 5. Maine Gross Estate Tax.

DO NOT STAPLE OR BIND RETURNS



**INSTRUCTIONS**  
**2006 MAINE ESTATE TAX RETURN**  
(36 M.R.S.A. §§ 4061 - 4079)

**IMPORTANT NOTICE!**

**For the latest updates, frequently asked questions, and information about the Maine estate tax, visit [www.maine.gov/revenue](http://www.maine.gov/revenue).**

**Property Value Defined.** For estates of decedents dying on or after January 1, 2006 property value means: (1) for estates with a federal liability, "value" is as federally determined unless the State Tax Assessor has determined a different value under the IRC; (2) for estates with no federal liability, but taxable to Maine, "value" is as determined by the State Tax Assessor under federal law. See PL 2005, c. 622, § 17.

**Resident Estates.** The calculation of Maine estate tax of resident decedents is determined by excluding from Maine tax real and tangible personal property located out-of-state, even if that property is located in a state with no estate tax. See PL 2005, c. 622, § 18. All assets, however must be included in the gross estate on line 2 of Form 706ME.

**Refund Claim.** A personal representative or other responsible party must request a refund of estate tax overpayments within three years of the time the return is filed or within two years of the time the tax was paid, whichever expires later. See PL 2005, c. 622, § 24.

**Maine decouples from federal tax.** There is no federal state death tax credit for estates of decedents dying after 2004. A pro forma federal state death tax credit amount is used for purposes of calculating the Maine estate tax. The worksheet for Line 5 (Maine gross estate tax) is provided on page 4. For 2006 decedents, the applicable Maine credit for line 6 of the worksheet is \$345,800. This corresponds to the Maine exclusion amount of \$1,000,000 (the federal exclusion amount is \$2,000,000).

**Filing requirement.** A Maine estate tax return is required to be filed for a 2006 decedent when a federal estate tax return is required to be filed or when the federal gross estate plus adjusted taxable gifts exceeds \$1,000,000. See 36 M.R.S.A. § 4068.

**Maine Qualified Terminable Interest Property ("QTIP").** Beginning with 2005 decedents, an estate may elect to include some or all of the difference between the decedent's federal exclusion amount under IRC § 2010(c) and the Maine exclusion amount as separate QTIP property for Maine estate tax purposes. See instructions for lines 4D and 4E.

**Property transferred to a pass-through entity.** For estates of nonresident decedents dying on or after January 1, 2005, real and tangible personal property located in Maine transferred by the decedant into trust, limited liability company or other pass-through entity is treated as though the entity or instrument did not exist. The decedent's interest is taxed in Maine to the extent that such property is included in the decedent's federal gross estate, actual or pro forma. See 36 M.R.S.A. § 4064.

**Alternate valuation date.** The personal representative of a taxable Maine estate may elect the alternate valuation date for determining the value of the estate's property. The alternate valuation date is the date used for federal estate tax purposes or, if there is no federal tax liability, an alternate valuation date that meets federal requirements.

**Qualified Domestic Trust ("QDOT").** If you are filing a federal Form 706-QDT for a Maine decedent, you must also file an amended Maine estate tax return, Form 706ME, including a copy of the federal Form 706-QDT. A distribution from a qualified domestic trust ("QDOT") that requires the filing of federal Form 706-QDT return will also increase the Maine taxable estate and the Maine estate tax.

DO NOT STAPLE OR BIND RETURNS

**Step 1** Enter all required information. Failure to fully complete this section will delay the processing of the return. If a personal representative has not been appointed, qualified and acting in the United States, every person in actual or constructive possession of any property of the decedent is considered a personal representative and must file a return. A personal representative can also be known as an executor or any other individual legally responsible for administration of the estate. If there is more than one personal representative, fill in the information for one personal representative and attach a schedule listing all personal representatives.

**Step 2** This section must be completed if you choose to have copies of confidential tax information sent to anyone other than the personal representative, such as the preparer of Form 706ME. If you are a paid preparer, you must also sign the return on page 2.

**Step 3** Check the appropriate box for the estate's residency status. For additional information concerning residency status visit [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and review "Maine Revenue Services Guidance to Residency Status."

**Step 4** Tax Computation. **If the total gross estate plus adjusted taxable gifts is \$2,000,000 or less, complete this section based on a pro forma federal return.** If the amount is greater than \$1,000,000, the estate is taxable to Maine and a completed Form 706ME must be submitted. If less than \$1,000,000, you may file a Form 706ME-EZ.

**Line 1** Maine's portion of total gross estate.

**For Maine resident estates:** Add Maine elective property to the total federal gross estate from federal Form 706. Subtract from this total the value of real and tangible personal property not located

in Maine.

**For Maine nonresident estates:** Include all real and personal property located in Maine and personally owned by the decedent. This includes Maine real and tangible personal property contained in Maine Elective Property or transferred to trusts, LLCs or other pass-through vehicles.

**Line 2** Enter the total gross estate from federal Form 706, Part 2, Line 1 plus any Maine elective property included in the decedent's Maine estate and not included on federal Form 706, line 1. If no federal estate tax return was required, but the total gross estate, including adjusted taxable gifts (federal Form 706, Part 2, Line 4) and Maine elective property is greater than \$1,000,000, complete a pro forma federal Form 706.

**Line 4A** Enter the amount of the taxable federal estate for actual or pro forma purposes, federal Form 706, Part 2, Line 3a.

**Line 4C** Enter the sum of lines 4A and 4B. If the amount is greater than \$1,000,000, the estate is taxable to Maine and a completed Form 706ME must be submitted. If less than \$1,000,000, you may file a Form 706ME-EZ.

**Line 4D** **For decedents with surviving spouses,** Maine allows a separate estate tax deduction for assets that are Qualified Terminable Interest Property (QTIP) under IRC Section 2056(b)(7), regardless of whether a QTIP election is made for federal estate tax purposes. The completion of Line 4D with an amount greater than zero constitutes a QTIP election for eligible Maine QTIP property by the executor or personal representative. The maximum allowable QTIP deduction on Line 4D is the difference between

**NOTE:** Even if you are not required to file a federal return, you may still be liable for Maine tax if the total gross estate plus adjusted taxable gifts is greater than \$1,000,000. If you are not required to file a federal return and the total gross estate plus adjusted taxable gifts is \$1,000,000 or less, there is no Maine estate tax liability.

the decedent's federal exclusion amount (or, if no federal return is required, the pro forma federal taxable estate) and the Maine exclusion amount, but in no event may the Maine QTIP deduction exceed \$1,000,000 for 2006. If the deduction on Line 4D is a portion of a trust included in the federal gross estate, the executor or personal representative is considered to have made an election only as to a fraction of the trust (or other property). The numerator of this fraction is equal to the amount of the trust (or other property) deducted on Line 4D, and the denominator is equal to the total value of the trust (or other property) at the time of death of the deducting decedent (first to die). See [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) for more information. Attach a description of the QTIP property. QTIP property cannot consist of items that were included as taxable gifts on the federal return.

**Line 4E** If the surviving spouse of a decedent who previously claimed a Maine QTIP deduction dies in 2006, the surviving spouse's estate must include the current Maine QTIP property value (MAINE ELECTIVE PROPERTY) on this line.

**Line 5** To calculate the amount for this line, use the worksheet below.

**Line 6** Multiply Line 5 by the percentage on Line 3, and enter the result.

**Line 7a** Enter the total amount of Maine estimated / extension payments made for this estate.

**Line 7b** Enter the amount of Maine estate tax paid with the original return. Fill in this line only when filing an amended Maine estate tax return.

**Lines 8 - 10** Interest and penalties may apply if the return is filed, or the tax is paid, after the due date. Contact the Income/Estate Tax Division, Maine Revenue Services, for specific information necessary to complete these lines. Telephone 207-626-8480. The annual interest rate for 2006 is 10%, compounded monthly.

**Extension:** If the estate is unable to file the return by the original due date, Maine allows an automatic extension equal to any federal extension or 6 months, whichever is the longer period of time. An extension to file is not an extension to pay the tax. An extension to pay the tax must be requested in writing.

**a. Late filing and late payment penalties.** If a past due return is filed before the receipt or within 30 days of the receipt of a demand notice, the penalty for failure to file is the greater of \$25 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the failure-to-file penalty is 100% of the tax due. For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

**b. Other penalties.** The law also provides penalties for substantial understatement of tax, negligence, fraud and for payment of tax by check that is returned for insufficient funds.

**Line 11** Enter the total due with this return. Make check payable to Treasurer, State of Maine and send to the address shown on page 2 of the form. Please write the decedent's name and "Form 706ME" on the check to ensure proper credit.

**Line 12** Enter the total refund due with this return. Allow 4-6 weeks to process the refund.

**Step 5** Check the appropriate box. Even if you are not required to file a federal return, you may still owe Maine estate tax. You are required to complete and attach a pro forma federal Form 706 to determine Maine tax liability.

**If the estate is subject to federal estate tax,** you must include a completed copy of federal Form 706, as filed with the IRS, with this return.

**If the estate is not subject to federal estate tax,** but is required to file for Maine purposes, include a completed pro forma federal Form 706, including appropriate schedules, with the Maine Form 706ME.

Provide documentation such as death certificate, trust documents and appraisals to support the claims on the return. This will allow Maine Revenue Services to process the return without having to contact the preparer for additional information.

DO NOT STAPLE OR BIND RETURNS

**WORKSHEET FOR CALCULATING LINE 5**

1) Enter amount from Form 706ME, Line 4F.	\$ _____	7) Line 5 minus Line 6 (if zero or less, enter zero) .....	\$ _____
2) Less .....	\$ <b>60,000</b>	8) Maine Gross Estate Tax (Line 4 or Line 7, whichever is less). Also, enter on Maine Form 706ME, Line 5.....	\$ _____
3) Adjusted taxable estate (Line 1 minus Line 2). If zero or less, enter zero .....	\$ _____		
4) Using amount on Line 3 and applying Table A below, determine the amount to enter.....	\$ _____		
5) Gross Federal Estate Tax* (federal Form 706, Part 2, Line 8 [calculated as if zero deduction on Line 3b]) .....	\$ _____		
6) Applicable Credit for 2006 .....	\$ <b>345,800</b>		

\* **NOTE:** If the estate contains Maine QTIP or Maine elective property, calculate the amount for line 5 of the worksheet above by reducing the federal taxable estate (federal Form 706, Part 2, line 3a) by the amount of the Maine QTIP and increasing the federal taxable estate by the amount of Maine elective property. See "Important Changes" on page 3 and instructions for Form 706ME, lines 4D and 4E for a more detailed description of Maine QTIP and Maine elective

Table A					
(1)			(2)	(3)	(4)
If worksheet, Line 3 is			Subtract the	Multiply	Add
at least:	BUT	less than:	following amount from	Result by:	and enter result
			worksheet, Line 3:		on worksheet, Line 4:
			0	None	0
\$40,000		\$40,000	\$40,000	0.8%	0
90,000		140,000	90,000	1.6%	\$400
140,000		240,000	140,000	2.4%	1,200
240,000		440,000	240,000	3.2%	3,600
440,000		640,000	440,000	4.0%	10,000
640,000		840,000	640,000	4.8%	18,000
840,000		1,040,000	840,000	5.6%	27,600
1,040,000		1,540,000	1,040,000	6.4%	38,800
1,540,000		2,040,000	1,540,000	7.2%	70,800
2,040,000		2,540,000	2,040,000	8.0%	106,800
2,540,000		3,040,000	2,540,000	8.8%	146,800
3,040,000		3,540,000	3,040,000	9.6%	190,800
3,540,000		4,040,000	3,540,000	10.4%	238,800
4,040,000		5,040,000	4,040,000	11.2%	290,800
5,040,000		6,040,000	5,040,000	12.0%	402,800
6,040,000		7,040,000	6,040,000	12.8%	522,800
7,040,000		8,040,000	7,040,000	13.6%	650,800
8,040,000		9,040,000	8,040,000	14.4%	786,800
9,040,000		10,040,000	9,040,000	15.2%	930,800
10,040,000		-----	10,040,000	16.0%	1,082,800