



MAINE TAX ALERT

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Additional Guidance for 2016 Maine Income Tax Withholding

A number of tax law changes were made in 2015 that effect tax years beginning on or after January 1, 2016 and 2016 Maine income tax withholding:

- New individual income tax rate brackets
- Increase in the standard deduction amounts (\$11,600 for single taxpayers and \$23,200 for married taxpayers filing a joint return)
- Phase-out of the standard deduction amounts for single taxpayers with income of \$70,000 or more and \$140,000 or more for married taxpayers filing a joint return.

Nonresident aliens

As a result of Maine decoupling from the federal standard deduction amounts for tax years beginning after 2015, an individual filing as a nonresident alien for Maine income tax purposes will be allowed to claim the 2016 Maine standard deduction amount for single and married-filing-separate taxpayers. In prior years, the Maine standard deduction amount for a nonresident alien was zero because of Maine's conformity to the allowable federal standard deduction amounts. As a result of decoupling, the adjustment in calculating the annual income of a nonresident alien for withholding purposes is no longer necessary. Therefore, the instructions related to the nonresident alien income adjustment have been removed from the 2016 Maine Withholding Tables booklet. Consistent with the instructions for Maine Form W-4ME that require a nonresident alien taxpayer to check the "single" box in Box 3 regardless of marital status, the withholding for a nonresident alien taxpayer should continue to be at the single taxpayer rate.

Phase-out of the standard deduction

The withholding tables booklet recently published by MRS contains instructions for utilizing the percentage method for calculating Maine income tax withholding. Because the tax rate schedules published in these instructions already factor in the increased standard deduction amounts, the amount of the phase-out of the standard deduction must be added back to annual income so that the proper withholding amount can be calculated. The add back in some cases will result in a taxable wage base that is higher than the wages earned; however, because the tax rate schedules incorporate the full standard deduction amount, the actual tax calculated will result in taxation of the appropriate income. Although the phase-out adjustment may not effect

everyone, the phase-out calculation should be completed for all taxpayers, regardless of income. The formula for calculating the phase-out amount is as follows:

Single Taxpayers

$$[(\text{Annual wage amount} - \$67,150) / \$75,000]** \times \$11,600$$

Married Taxpayers

$$[(\text{Annual wage amount} - \$137,150) / \$150,000]** \times \$23,200$$

*If the result of the calculation is \$0 or less, the adjustment is \$0.

**If the result of the fraction in the calculation is 1 or more, the adjustment is \$11,600 for single taxpayers, \$23,200 for married taxpayers.

If you have any questions about these changes, please call the withholding tax unit at 207-626-8475, select option 1 and then option 4, or email withholding.tax@maine.gov.

Sales and Use Tax - Sales Tax Bulletins Revised (as previously announced via email dated December 4, 2015)

The versions of Bulletin 12 “Retailers of Food Products” and Bulletin 27 “Sales of Prepared Food”, effective for January 1, 2016, have been revised. They can be viewed at <http://www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm>. The following summarizes the revisions:

Bulletin 12

Nuts and seeds that have been processed or treated by salting, spicing, smoking, roasting, or other means will become taxable on January 1, 2016. The revised bulletin now draws a bright line between unprocessed raw nuts and processed nuts. See pages 4 and 6. All shelled nuts will be taxable while nuts in the shell will be exempt except those that have been salted, spiced, smoked or roasted.

Bulletin 27

Section 4 on page 9 explains the exemption for bulk sales of grocery staples with respect to those retailers that sell prepared food. This section has been revised to clarify which foods prepared by the retailer may qualify for the bulk sale exemption. Please refer to the bulletin for details.

For those retailers that participated in MRS’ recent webinar on these topics, the answers to the variety of questions raised are now posted as the last bullet on our Sales Tax page. See <http://www.maine.gov/revenue/salesuse/salestax/salestax.html>.

<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	taxregistration@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
E-file Help Desk (1040 ONLY)	(207) 624-9730	(207) 287-6628	efile.helpdesk@maine.gov
Electronic Funds Transfer	(207) 624-5625	(207) 287-3618	efunds.transfer@maine.gov
Estate & Fiduciary Tax	(207) 626-8480	(207) 624-9694	estatetax@maine.gov
Fuel & Special Taxes	(207) 624-9609	(207) 287-6628	fuel.tax@maine.gov
Forms Request Line	(207) 624-7894		
Individual Income Tax Assistance	(207) 626-8475	(207) 624-9694	income.tax@maine.gov
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	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) 624-5600	(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	
Office of Tax Policy	(207) 624-9789	(207) 287-3618	
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.

Suggestions for the Tax Alert?

Please contact:

Maine Revenue Services

PO Box 1060

Augusta, Maine 04332-1060