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MAINE

CORPORATE INCOME TAX BOOKLET

INCLUDES FORMS:
1120ME
CR (COMBINED REPORT)
1120X-ME
1120EXT-ME

IMPORTANT CHANGES

- Beginning with tax year 2006, both long-form (1120ME) and former short-form (1120A-ME) filers will use the same form to file their Maine Corporate Income Taxes. See specific instructions on page 4, *Notice to Former Short-Form Filers*.
- This is the last year that Maine Revenue Services will be mailing the Maine Corporate Income Tax Booklet to taxpayers. Maine Corporate Income Tax forms and instructions are, and will continue to be, available online at www.maine.gov/revenue or by request at (207) 624-7894.
- Maine Estimated Tax Worksheet and Payment Vouchers for Corporations (Form 1120ES-ME) have been removed from this booklet and will be mailed separately to estimated taxpayers during February or March 2007. Payment vouchers are available online at www.maine.gov/revenue.

See Other Important Tax Law Changes on page 24

QUESTIONS?

C Corporation	207-624-9670	E-mail: corporate.tax@maine.gov
S Corporation, Partnership	207-626-8475	E-mail: partner-scorp.tax@maine.gov
Individual	207-626-8475	E-mail: income.tax@maine.gov
Withholding Tax	207-626-8475	E-mail: withholding.tax@maine.gov
Sales Tax	207-624-9693	E-mail: sales.tax@maine.gov
To order forms	207-624-7894	
For general information and downloadable forms, visit our web site		www.maine.gov/revenue

Tax Fraud Hotline: 207-624-9600 Call this number or send an e-mail to compliance.tax@maine.gov to report possible tax violations, including failure to file tax returns, failure to report all income and failure to register for tax filing.

Do you owe Maine Use Tax on items you buy?

(See page 4, item10)

Are you required to collect and remit Maine sales & use tax?

(See inside of back cover for more information)

CORPORATIONS REQUIRED TO FILE

CORPORATIONS SUBJECT TO INCOME TAX:

Every entity (including exempt organizations) must file Form 1120ME and pay the applicable Maine corporate income tax if it meets the following criteria:

1. The entity is required to file a federal income tax return; and
2. The entity realizes Maine net income.

Maine Net Income. Maine net income is the taxpayer's federal taxable income modified by Maine law and apportionable to Maine. A taxpayer is subject to tax if the taxpayer conducts business in Maine or owns or uses property in Maine in a corporate capacity.

NEXUS: Nexus refers to having sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by physical presence or by conducting business within the taxing jurisdiction. *See generally MRS Rule 808.*

Conducting Business in Maine. Without limitation, a corporation conducts business in Maine if it engages in any of the following activities in this state:

1. Maintains an office or other place of business;
2. Executes a contract;
3. Exercises or enforces contract rights;
4. Buys, sells, or procures services or property; or
5. Employs labor.

Owning or Using Property. Without limitation, a corporation owns or uses property in Maine if it:

1. Owns property that is held by another person in this state under a lease, consignment, or other arrangement;
2. Uses in this state property that it holds under a lease, license or other arrangement; or
3. Maintains a stock of goods in this state.

Exception for Certain Activities under U.S. Public Law 86-272. A foreign corporation that does business in Maine or owns or uses property in Maine is not subject to Maine income tax if its only activities in Maine are those set forth as exempt in U.S. P.L. 86-272 (15 U.S.C §§ 381-384).

a. Solicitation Activities. P.L. 86-272 precludes Maine from imposing a tax on the income of a foreign corporation if the sole activity of the corporation in this State is the solicitation by the corporation's

representatives (in the name of the corporation or in the name of a prospective customer) of orders for the sale of tangible personal property, provided that the orders are sent outside of the State of Maine for approval or rejection, and provided that the orders are filled by shipment or delivery outside of Maine.

Limitations. P.L. 86-272 restricts a state's tax jurisdiction with respect to sales solicitation activities only if the taxpayer's activity is limited to solicitation of orders for the sale of **tangible personal property**. P.L. 86-272 does not afford protection in the following circumstances:

1. A **combination** of solicitation activities and non-solicitation activities in Maine;
2. The solicitation of orders for the sale or provision of **services**, either standing alone or in combination with the solicitation of orders for tangible property. Some examples of the combined sale of services and tangible personal property are photographic development and the provision of architectural or engineering services; and
3. The solicitation of orders for the sale, lease, rental, license, or other disposition of **real property or intangibles**.

b. De Minimis Activities. Non-solicitation business activities conducted by a corporation in Maine will not subject the corporation to taxation if the activities, taken together, are *de minimis*.

For additional information, see MRS Rule 808 by going to www.maine.gov/revenue and selecting Laws and Rules.

CORPORATIONS NOT SUBJECT TO MAINE

CORPORATE INCOME TAX: The following corporations are not subject to Maine corporate income tax: S corporations (except those with federal taxable income at the corporate level); insurance companies that are subject to, or would be subject to, tax under 36 M.R.S.A. §§ 2512 - 2528 (insurance premium tax and fire investigation and prevention tax), except insurance companies that operate HMOs (*see* 36 M.R.S.A. §§ 5102(6) and 5202-C); and banking institutions that are subject to franchise tax (*see* b below). Corporate **small business investment companies**, licensed under

the United States Small Business Investment Act of 1958 that are commercially domiciled in Maine and do business primarily in Maine are also not subject to this tax.

a. LIMITED LIABILITY COMPANIES. Maine law allows for the formation of limited liability companies. It provides that a domestic LLC or foreign LLC doing business in Maine is classified as a partnership for Maine income tax purposes, unless classified otherwise for federal income tax purposes, in which case the LLC is classified in the same manner for Maine income tax as for federal income tax purposes.

b. BANKING INSTITUTIONS SUBJECT TO FRANCHISE TAX. Every corporation that is a financial institution (except a credit union) any service corporation or subsidiary as defined in 9-B M.R.S.A. § 131, and any financial institution holding company that is doing business in this state must file Form 1120B-ME and pay Maine franchise tax. This requirement also applies to any financial institution organized as an S corporation, partnership, or entity disregarded as separate from its owner. **Do not use Form 1120ME.** Franchise Tax Form 1120B-ME and instructions are available by going to www.maine.gov/revenue/forms.

FILING REQUIREMENTS FOR S CORPORATIONS AND PARTNERSHIPS:

S corporations and partnerships, except financial institutions, that have Maine-source income or that have resident shareholders or partners are required to file an information return consisting of Form 1065ME/1120S-ME and a copy of the federal return. If you are filing a return for an S corporation that is not subject to tax at the corporate level, do not file Form 1120ME.

Shareholders and partners are subject to Maine income tax. Those who are nonresident individuals and who have no other Maine-source income may satisfy the filing requirement with a composite return. In that event, the entity must file a return on behalf of its nonresident shareholders or partners using Form 1040ME labeled "composite return," Schedule 1040C-ME and Schedule NRC. For additional information, *see MRS Rule 805* and instructions on the MRS web site.

S corporations that incur federal taxable income (e.g. certain capital gains and certain built-in gains) at the corporate level are required to file Form 1120ME and report only the income that is taxed at the corporate level for federal purposes.

UNITARY BUSINESS COMBINED REPORTING

WHO MUST FILE A COMBINED REPORT (FORM CR)?

Taxable corporations that are members of an affiliated group engaged in a multi-corporate unitary business must file a combined report based on the federal taxable income of the unitary business. *See MRS Rule 810.* Corporations that are part of a unitary business but are not required to file a federal income tax return are to be excluded from the combined report.

The combined report must indicate which corporate members have nexus with Maine, and it must include, both in the aggregate and by corporation, the federal taxable income, allowable adjustments, state modifications provided by 36 M.R.S.A. § 5200-A, and sales, payroll, and property values in Maine and everywhere.

Maine defines **affiliated group** to mean a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations.

Maine corporate income tax of a unitary business is determined by apportioning to Maine the gross tax of the unitary business.

A **UNITARY BUSINESS** is one that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. The cumulative effect of these characteristics is analyzed to determine if affiliated businesses are unitary.

UNITY OF OWNERSHIP is generally demonstrated when 50% or more of the voting stock is owned directly or indirectly by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

CENTRALIZED MANAGEMENT is indicated when directors, officers, and/or other management personnel jointly participate in management decisions that affect the respective companies. Centralized management still exists when day-to-day management responsibilities are decentralized, as long as the overall strategy of the whole group is affected centrally. Other indicators of centralized management include managing to ensure that the business segments are operated for the benefit of the entire group

UNITARY BUSINESS COMBINED REPORTING (continued)

and not just for their own individual interest, transferring knowledge and expertise among the segments, adhering to common standards of professionalism, profitability and/or ethical practices, and transferring or rotating officers or other management employees among the business segments.

FUNCTIONAL INTEGRATION refers to transfers between, or pooling among, business segments that significantly affect the business operations of the segments. There is no specific type of functional integration that must be present. Facts suggesting the presence of functional integration should be analyzed for their cumulative effect and not in isolation. Functional integration can be illustrated by: common marketing; intercompany sales; exchanges or transfers of products, services or intangibles; common distribution systems; common purchasing; etc.

ECONOMIES OF SCALE exist when companies interact to achieve, or have the potential to achieve, a decrease in the cost of production or in the cost of administrative functions due to the increase in size of the interaction. Economies of scale may exist from the inherent cost savings that arise from the presence of functional integration or centralization of management.

A unitary determination is made by reviewing all the business activities of an affiliated group. A **flow of value** arising from these activities is indicative of multi-corporate unity. To help you determine whether your business operates in a unitary manner, a unitary business questionnaire is available at www.maine.gov/revenue/forms. Select Corporate Income Tax under the Income/Estate Tax category.

RETURNS: Corporate members of unitary businesses may file a single combined return or separate corporate returns. A single combined return must be filed in the name of the parent corporation if the parent is a member of the unitary business and has nexus with Maine. If there is no parent company or the parent company is not a member of the unitary business or does not have nexus with Maine, the unitary business must choose a Maine taxpayer member to file the return. Once selected, the filing member must remain the same in subsequent years unless changes in that member's ownership or nexus occur. Unitary members who have nexus with Maine may file separate returns with their income tax based on the combined report of the unitary business. A copy of the combined report must be attached to each of the separate returns. The apportionment factor of the unitary business is then used to compute the Maine income tax of the individual member filing a separate return.

Whether filing separately or as a group, the Maine tax liability must be calculated for all unitary members together. If filing separately, each member's tax liability is determined based on that member's share of the total liability.

The lower, preferential tax rates may be applied to a separate filer if agreed to by the entire unitary group. The remaining tax liability is then applied to the rest of the unitary group. A schedule showing the income tax assigned to each filer must be submitted with each return. Any tax credits generated by a taxable corporation engaged in the unitary business must be applied against the Maine income tax liability of that corporation only, unless otherwise permitted by law.

of a unitary business with differing year-end dates must file using the filing member's taxable year to determine the adjusted federal taxable income of the unitary business. If the precise amount of a unitary member's income can be readily determined from the books for the months involved in the filing member's taxable year, those actual amounts are to be used. In the absence of a precise determination, the income of a unitary member must be converted to conform to the taxable year of the filing member on the basis of the number of months falling within the applicable taxable year. For example, if the filing member operates on a calendar year and a unitary member includable in the combined report operates on a fiscal year ending on February 28th, it is necessary to assign 10/12 of that member's income from the current taxable year and 2/12 of the income from the preceding taxable year in order to arrive at a full twelve months' income to be included in the combined report (this method may be used only if the return can be timely filed after the member's taxable year ends). Alternatively, all of the income from the unitary member's taxable year ending during the taxable year of the filing member may be used. Whichever method for calculating adjusted federal taxable income is used, that method must be used for all years that the unitary member must file. Once the combined taxable income of the unitary business is determined on the basis of the filing member's taxable year, the apportionment factor must be computed on the basis of the same taxable year.

For more information on unitary business and combined reporting, see MRS Rule 810. Go to www.maine.gov/revenue/rules.

DIFFERING YEAR-END DATES: Members

GENERAL INSTRUCTIONS

1. DATE FOR FILING RETURN: Corporations reporting for calendar year 2006 are required to file, with payment, on or before March 15, 2007. Fiscal year taxpayers are required to file, with payment, on or before the 15th day of the third month following the close of the taxable year.

2. EXTENSIONS FOR FILING: A State of Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic seven-month extension of time to file.

CAUTION:

- An extension to file your Maine return is not an extension to pay your tax!
- The automatic extension is only effective if the return is filed within the seven-month period.

If you owe tax, you must pay at least 90% of that amount by the original due date for filing your return and the remaining 10% must be paid

when the return is filed by the extended due date to avoid the failure-to-pay penalty. Interest will be charged on **any** tax paid after the original due date of your return.

Remit your estimated tax payment with the Maine Extension Tax Payment Voucher for Corporations (Form 1120EXT-ME), located in this booklet, by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9114, Augusta, ME 04332-9114.

3. PAYMENT OF CORPORATE INCOME TAX: All corporations subject to income taxes must make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than \$1,000. See instructions for Form 1120ES-ME for details.

4. INTEREST: Beginning January 1, 2007, interest at 12% per annum, compounded monthly, will be added to the balance of any tax due from

the original due date to the date of payment and should be included with any payment.

5. PENALTIES:

a. Underpayment of estimated tax penalty. Beginning January 1, 2007 the penalty is 12% per annum, compounded monthly. The penalty rate for January 1, 2006 through December 31, 2006 is 10%, compounded monthly. The penalty will be assessed if the sum of quarterly estimated tax payments is not at least equal to the lesser of the previous year's Maine income tax liability or ninety percent (90%) of the tax liability for the current year. Exception: certain large corporations cannot use the previous year's liability in determining the required amount of estimated tax payments.

b. 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

GENERAL INSTRUCTIONS (continued)

return is filed more than 30 days after the receipt of a demand notice, the failure-to-file penalty increases to 100% of the tax otherwise 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%.

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

6. ACCOUNTING PERIOD COVERED BY RETURN:

Your Maine return covers the same accounting period as your federal corporate return. If the taxable years of the members of a unitary business group differ, *see MRS Rule 810.05* and page 3 of this booklet, "Differing year-end dates."

7. ACCOUNTING METHODS:

A taxpayer's accounting method for Maine income tax purposes must be the same as that used for federal income tax purposes.

8. ADDITIONAL FORMS TO ACCOMPANY STATE RETURN:

NOTE: *Due to scanner requirements, supporting documents must be submitted on paper -- disks will be returned to the taxpayer.*

a. The Maine corporate return must be accompanied by a legible copy of the corporation's federal return, Form 1120, pages 1 through 4, for the same taxable period. If the corporation is a member of a **federal consolidation**, the federal return, Consolidated Form 1120, pages 1 through 4, must be provided.

b. Corporations subject to Maine corporate income tax that are members of an affiliated group as defined by Maine law, and operating in a unitary business, **must complete Form CR, along with an affiliation schedule.** Exempt organizations filing the Maine corporate return, Form 1120ME, must attach a legible copy of the

corporation's federal return, Form 990T.

9. FEDERAL AUDIT CHANGES AND AMENDED RETURNS:

Taxpayers must file Maine amended returns for any change or correction by the Internal Revenue Service in federal taxable income within 90 days after final determination of such change or correction. Attach a copy of the Internal Revenue Agent's report with all supporting schedules to your Maine amended return, Form 1120X-ME.

Taxpayers filing amended federal income tax returns must, within 90 days, file amended Maine income tax returns with copies of federal Form 1120X. When filing returns that reflect federal net operating losses, a copy of federal Form 1139 must be attached.

In addition, an amended Maine income tax return is required to correct errors on a previously filed return. The amended return must be filed within 90 days of the discovery.

10. MAINE SALES AND USE TAX INFORMATION:

Taxable items bought from out-of-state sellers that do not collect Maine sales tax of at least 5% are subject to a use tax. The use tax equals 5% of the purchase price where no sales tax has been paid. Use tax is also due on mail orders where there was no Maine sales tax collected. If you paid another state's sales or use tax on any purchase, that amount may be credited against the Maine use tax due on that purchase. There is no use tax liability if the purchase would have been exempt if purchased in Maine. If you are registered for sales/use tax purposes and are receiving returns, report the purchases on the applicable "Taxable Purchases" line of that return. Call 207-624-9693 if you have questions about Maine Use Tax Law.

11. MAINE EZ PAY:

You may now pay your corporate income tax electronically at www.maine.gov/revenue. Electronic payments eliminate the necessity of filing forms 1120EXT-ME (corporate income tax extension payment

voucher) as well as 1120ES-ME (corporate income tax estimated payment vouchers). Maine EZ Pay is an online application that was created to allow Maine taxpayers to make payments online, quickly and easily. Almost any type of tax payment can be made, including withholding and unemployment and sales tax. For convenience, payments may be scheduled in advance and will automatically be withdrawn on the payment date the taxpayer selected. Taxpayers must pre-register online.

Corporate taxpayers may also make electronic payments using the ACH Credit Method. This means that you can electronically transfer funds from your bank account to the State of Maine. This ACH payment method requires an application to participate.

Taxpayers with an annual corporate liability of \$400,000 or more are mandated by MRS Rule 102 to pay electronically. You will be notified if mandated.

To obtain an application, a copy of the rule, or to get more information, call 207-287-8276 or write: EFT Unit, Maine Revenue Services, 24 State House Station, Augusta, ME 04333-0024. The ACH application and MRS Rule 102 can also be downloaded at www.maine.gov/revenue/rules.

Penalty for failure to pay by electronic funds transfer. Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

Penalty for insufficient funds. The penalty for insufficient funds also applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

12. OVERPAYMENT OFFSETS:

Maine Revenue Services will offset tax overpayments, including those designated to be carried forward, in order to satisfy an existing debt with MRS or any other state agency.

Notice to Former Form 1120A-ME (short-form)

File: If you filed a short-form last year, complete pages 1 and 2 of Form 1120ME and any schedule that may apply.

Line A. FEDERAL CONSOLIDATED INCOME:

If the federal filing was part of a federal consolidated return, enter the amount from federal Form 1120, line 30 here.

Line 1. FEDERAL TAXABLE INCOME:

Enter federal taxable income from line 30 of federal Form 1120 or line 26 of federal Form 1120A, unless the corporation is an S corporation. For S corporations, the corporate level federal taxable income is entered. Corporations that are members of an affiliated unitary business group should refer to the combined reporting instructions on pages 2, 3, and 10. Real estate investment trusts (REITs) enter amount from federal Form 1120-REIT, line 22. A corporation that is an affiliate of a federal consolidated filing, but not a member of a unitary business group, must enter federal taxable income that is solely attributable to the corporation.

SPECIFIC INSTRUCTIONS

NOTE: Amounts added or subtracted from federal taxable income are the net amounts included (or excluded for purposes of addition) in federal taxable income.

Line 2a. NONTAXABLE INTEREST: Enter interest on U.S. bonds, U.S. Treasury notes, or other obligations of the U.S. government which, by law, are exempt from state taxes, but taxable by the federal government. Also include interest from bonds issued by the State of Maine or Maine municipalities if taxed on the federal return. Taxpayers may subtract from federal taxable income interest income and capital gains from the sale of bonds issued by the Maine Waste Management Agency to the extent included in federal taxable income.

Line 2b. FOREIGN DIVIDEND GROSS-UP:

Enter the amount from federal Form 1120, Schedule C, line 15.

Line 2c. WORK OPPORTUNITY CREDIT AND EMPOWERMENT ZONE CREDIT DEDUCTION:

Enter on this line the amount in your salaries and wages expense deduction directly related to claiming the Work Opportunity credit or Empowerment Zone credit.

These amounts are reported on federal Form 5884, line 2 or Form 8844, line 2. The amount from Form 8844 will also include wages related to the Renewal Community credit.

Line 2d. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.:

Enter income this state is prohibited from taxing under the constitution or laws of the United States or the constitution of the State of Maine, to the extent included in federal taxable income. The amount must not be otherwise deducted and must be decreased by any expenses incurred in the production of that income to the extent that these expenses are deductible in determining federal taxable income. **Attach a worksheet detailing the amount claimed on this line.**

Line 2e. DIVIDENDS FROM AFFILIATED CORPORATIONS:

Enter 50% of all apportionable dividends from affiliated corporations that are not included by the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1. In order to be affiliated, a corporation must be more than 50% owned. Although this may include

SPECIFIC INSTRUCTIONS (1120ME) - continued

domestic entities, most affiliated corporations not included in a combined report are foreign entities.

Line 2f. NET OPERATING LOSS DEDUCTION CARRYOVER: If you have a net operating loss for tax years beginning in 1991 or 1992, beginning or ending in 2001 or beginning in 2002 or later, that was carried back for federal purposes, but added back to income under § 5200-A(1)(H) or § 5200-A(1)(M), you are allowed a deduction on this line equal to the amount of the income addition required for Maine income tax purposes. However, the deduction must be within the allowable NOL carryover period, cannot reduce Maine taxable income to less than zero and must not have been previously used as a modification. For more information and examples, visit www.maine.gov/revenue/incomeestate and select Guidance Documents.

Line 2g. INCOME FROM OWNERSHIP INTEREST IN PASS-THROUGH ENTITY FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: Financial institutions are subject to Maine's franchise tax, regardless of organizational structure. If federal taxable income includes income from ownership of a financial institution that is a pass-through entity (partnership, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 reporting this amount.

Line 2h. STATE INCOME TAX REFUNDS: Enter the amount of state income tax refunds included in federal taxable income provided the amount has already been taxed by Maine. This modification may not reduce federal taxable income to less than zero, and the amount refunded from this state or another state must not have been previously used as a modification. Any unused portion of the modification may be carried forward 20 years.

Line 2i. BONUS DEPRECIATION/SECTION 179 EXPENSE RECAPTURE. Amounts added to income in prior years under 36 M.R.S.A. § 5122(1)(N) may be recaptured over the life of the applicable asset. For property placed in service in 2002, addition modifications may be recaptured in equal amounts over the remaining life of the asset beginning in 2004. For assets placed in service in 2003 and after, 5% of the addition modification is recaptured in the year after the assets were placed in service, with the remaining 95% recovered in subsequent tax years, in equal installments, over the remaining life of the applicable asset. For more information and examples, visit www.maine.gov/revenue/incomeestate and select Guidance Documents.

Line 2j. OTHER: Enter on this line the following subtraction modifications:

NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT: Bonds, notes, other evidences of indebtedness; interest and profits from bonds, notes, other evidences of indebtedness; and any other income or money of the Northern Maine Transmission Corporation are exempt from state income tax.

GAIN ON SALE OF MULTIFAMILY AFFORDABLE HOUSING: This modification equals the total of capital gains and ordinary income resulting from depreciation recapture pursuant to Code sections 1245 and 1250 realized on the sale of multifamily affordable housing property. Qualified property must be certified by the Maine State Housing Authority ("MSHA"). A copy of the MSHA certificate

must be attached to the return. The modification applies to tax years beginning on or after January 1, 2006.

Line 4a. INCOME TAXES IMPOSED BY MAINE OR ANY OTHER STATE: Maine does not permit a deduction for income taxes imposed by Maine or any other state. Enter income taxes taken as a deduction on federal Form 1120 or 1120A.

Line 4b. UNRELATED EXPENSES: If the corporation listed on this return is part of a federal consolidated group, but filing separately for Maine and is not a member of a unitary business group, any expenses incurred by the corporation on behalf of subsidiaries or other members of a group that are not included on this return must be added back. Attach supporting schedules.

Line 4c. INTEREST FROM STATE AND MUNICIPAL BONDS OTHER THAN MAINE: Corporations must, for Maine income tax purposes, increase federal taxable income by income from state and municipal bonds that originate outside Maine.

Line 4d. NET OPERATING LOSS RECOVERY ADJUSTMENT: Enter on this line an amount equal to any net operating loss carryover deduction claimed

179 expense increases listed above. Enter on line 4f the difference between this recalculated section 179 expense and the original section 179 expense claimed for federal income tax purposes. **If the difference is less than zero, enter zero.**

Enclose both the actual and pro forma versions of federal Form 4562 with the Maine return. Property expensed under the provisions of section 179 at the federal level cannot be capitalized for Maine purposes. For more detailed information with examples, visit www.maine.gov/revenue/incomeestate and select Guidance Documents. Also, refer to the instructions for Form 1120ME line 2i, above.

Line 4g. OTHER. Include on this line the following items:

LOSS, EXPENSES, OR DEDUCTIONS FROM OWNERSHIP INTEREST IN FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: All financial institutions are subject to Maine's franchise tax, regardless of the entity's organizational structure. If federal taxable income includes a loss, expense, or deduction from

The following example illustrates the NOL Carryover Adjustment under 36 M.R.S.A. § 5200-A(1)(C):

Corresponding Line on Maine Return	NOL Year 2004	Carryforward 2005	Years 2006
Federal taxable income prior to NOL deduction	- 60,000	35,000	25,000
1. FTI after NOL deduction	- 60,000	0	0
Addition Modifications:			
4d. 5200-A (1)(C)			10,000
4x. Other	10,000	10,000	8,000
5. Adjusted Federal Taxable Income	-50,000	\$ 10,000	18,000

Of the original \$60,000 loss in 2004, the entire amount is carried forward for federal purposes. In 2005, \$35,000 of the 2004 loss is used to offset income. In 2006, the remaining \$25,000 federal loss from 2004 is used to reduce FTI. However, since \$10,000 of Maine addition modifications were already offset in the year of the loss, that amount cannot be used again. Therefore, a \$10,000 Maine addition modification is required in 2006 to prevent that amount from offsetting income a second time. For additional information concerning the NOL recovery adjustment, see www.maine.gov/revenue and select Income/Estate Tax. Also, see page 12 for information regarding federal NOL carry-backs and the related Maine adjustments.

in this taxable year which has previously been used to offset Maine modifications to federal taxable income in accordance with 36 M.R.S.A. § 5200-A(1). See example in the box above.

Line 4e. DOMESTIC PRODUCTION ACTIVITIES DEDUCTION ADD-BACK: Federal taxable income must be increased by the amount claimed as a domestic production activities deduction. Enter the amount from federal Form 1120, line 25.

Line 4f. SECTION 179 EXPENSE ADD-BACK: Federal taxable income must be increased by the net effect of the increase in section 179 expense due to federal changes (deduction limit increase from \$25,000 to \$100,000; phase-out threshold increase from \$200,000 to \$400,000; and certain off-the-shelf computer software includable as eligible property) enacted in 2003. The amount of this modification is determined by first recalculating the section 179 expense on federal Form 4562 exclusive of all section

ownership of a financial institution that is a pass-through entity (partnership, LLC, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

HIGH-TECHNOLOGY CREDIT ADD-BACK: Federal taxable income must be increased by the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal income tax purposes.

Line 5. ADJUSTED FEDERAL TAXABLE INCOME. Beginning in 2005, Maine no longer apportions income for multistate corporations. Instead, Maine tax is determined by applying the Schedule A apportionment percentage against the total tax calculated on the corporation's adjusted federal taxable income. See lines 6 and 7a instructions on the next page.

Line 6. GROSS TAX: For tax years beginning in 2006, the Maine corporate tax rates are:

If adjusted federal taxable income is:

Greater Than	But not over	The gross tax is:
\$ 0	\$ 25,000	3.5% of federal taxable income
25,000	75,000	\$875 plus 7.93% of the excess over \$ 25,000
75,000	250,000	\$4,840 plus 8.33% of the excess over \$ 75,000
250,000	or more	\$19,418 plus 8.93% of the excess over \$250,000

NOTE: Beginning in 2005, Maine apportions the total tax for multistate corporations rather than apportioning the income. See line 7a instructions below.

Line 7a. MAINE CORPORATE INCOME TAX: A corporation that is not part of an affiliated-unitary business group and has income solely from business activity within Maine must enter the amount from line 6 on line 7a. A corporation having income from within and outside the state must apportion tax on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations that are members of a unitary business group must also complete Form CR. See combined reporting instructions on pages 2, 3, and 10 of this booklet.

Line 7b. MINIMUM TAX: A minimum tax may be imposed, for each taxable year, upon every corporate taxpayer required to file a Maine corporate income tax return. Complete Schedule B to compute the amount to be entered on this line.

Lines 8a and b. ESTIMATED AND EXTENSION PAYMENTS: Enter estimated tax payments and extension payments made for the tax year. If claiming real estate withholding payments on line 8a, you must attach Form REW-1. Include on this line any overpayment carried over from previous years and applied to this year.

Line 8c. OTHER CREDITS: Enter the amount from Schedule C, line 29o. The amount on this line cannot exceed the tax liability on line 7a of Form 1120ME.

Line 8d. INCOME TAX WITHHELD: Enter on line 8d only the amount of withholding credited to the corporation through the Maine pass-through entity withholding requirement. The amount claimed on this line must be substantiated by the attachment of a year-end Form 1099ME issued by the pass-through entity.

Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX: If the estimated tax was underpaid, complete and attach Form 2220ME to the corporate return. A copy of Form 2220ME is available at www.maine.gov/revenue/forms.

Line 11a. AMOUNT OF LINE 10 YOU WISH CREDITED: Use this line only if you want to have all or part of the overpayment on line 10 applied as a payment to your next year's estimated Maine corporate income tax.

Line 11b. AMOUNT TO BE REFUNDED: Enter here the difference between lines 10 and 11a. Refunds of \$1.00 or more will be mailed to you.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1 - 4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.

SCHEDULE A GENERAL INSTRUCTIONS

NOTE: Maine law has changed. Starting with tax year 2005, Maine now apportions the corporation's aggregate tax rather than the aggregate income.

Schedule A is for corporations engaged in interstate business. Maine employs a three-factor formula to determine the percentage of corporate income tax that is apportioned to Maine. This percentage is derived from a fraction, the numerator of which is the property factor plus the payroll factor plus twice the sales factor, and the denominator of which is four (36 M.R.S.A. §§ 5210-5211 and MRS Rule 801). If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the State Tax Assessor may require, in respect to all or any part of the taxpayer's business activity:

- (a) Separate accounting;
- (b) The exclusion of any one or more of the factors;
- (c) The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in Maine; or
- (d) The employment of any other method to effectuate an equitable apportionment of the taxpayer's income tax.

"Tax period," referred to in the instructions for lines 12, 13 and 14, means the period represented by adjusted federal taxable income on line 5 of Form 1120ME.

"Sales" means all gross receipts including trade sales, dividends, interest, rents, and royalties. **See MRS Rule 801.08(B).** Sale of a partnership interest, on or after July 1, 2005, by a corporation engaged in a multistate business activity is attributed to Maine to the extent of the ratio of the partnership's tangible property located in Maine to tangible property located everywhere, determined based on original cost.

Corporations that are members of a unitary business group, see additional instructions on pages 2, 3, and 10.

Corporations that have an ownership interest in a pass-through entity must include aggregate distributions from that entity in the apportionment formula.

If one factor is excludable from the apportionment formula, the weighting of the two remaining factors must be changed. A factor is excludable only if both the numerator and denominator are zero, but is not excludable merely because the numerator is zero. When excluding the sales factor, change the weight of the payroll and property factors to 50% (0.5) each. When excluding either the payroll or property factor, change the weight of the sales factor to 66.67% (0.6667) and the weight of the remaining factor to 33.33% (0.3333). If two factors are excludable from the apportionment formula, change the weight of the remaining factor to 100%. If you are excluding any factors, attach a schedule detailing the factors used and the apportionment computation. If the total of column C, lines 12, 13 and 14, does not equal the amount you enter on line 15, your tax liability will not be computed accurately.

See generally MRS Rule 801 for apportioning tax and income.

SCHEDULE A SPECIFIC INSTRUCTIONS

MUTUAL FUND SERVICE PROVIDERS may elect to apportion income tax to Maine using a sales-only formula. Check the box on Schedule A if you qualify and are making this election. The choice is irrevocable for five years. Taxpayers electing the special apportionment may not be included in Form CR.

Line 12. SALES FACTOR: The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in Maine during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

Sales of tangible personal property are attributed to Maine if (1) the property is delivered or shipped to a purchaser, other than the United States Government, in Maine, regardless of the F.O.B. point or other conditions of the sale, or (2) the property is shipped from an office, store, warehouse, factory or other place of storage in Maine and the purchaser is

the United States Government or the taxpayer is not taxed in the state of the purchaser.

Sales, other than sales of tangible personal property, are attributed to Maine if (1) the sale is a sale of a partnership interest, (2) the income-producing activity is performed in this state, or (3) the income-producing activity is performed both in and outside Maine and a greater proportion of the income-producing activity (based on costs of performance) is performed in this state than in any other state.

Note: Beginning in 2005, the sale of a partnership interest is attributed to Maine to the extent of the ratio of the partnership's tangible property located in Maine to tangible property located everywhere, determined based on original cost. If more than 50% of the partnership's assets consist of intangibles, determine the amount attributable to Maine by using the sales factor of the partnership.

Line 13. PAYROLL FACTOR: The payroll factor is a fraction, the numerator of which is total compensation paid in Maine during the tax period by the taxpayer, and the denominator of which is total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for personal services, including deferred compensation. Compensation is

paid in Maine if (1) the individual's service is performed entirely within this state; (2) the individual's service is performed both within and outside Maine, but the service performed outside the state is incidental to the individual's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the individual's residence is in Maine.

Payroll for leased and temporary employees.

The payroll factor for the apportionment calculation must include 85% of amounts paid to an employee-leasing company for leased employees and 100% of amounts paid for temporary employees. Employee-leasing companies and temporary services companies will exclude from the payroll factor compensation paid to leased or temporary employees who are providing personal services to client companies. However, amounts received from clients for leased or temporary employees must still be included in the sales factor calculation of the leasing or temporary services company.

"Leased employee" means an individual who performs services for a client company pursuant to a contract between the client company and an employee-leasing company.

"Temporary services" means employee services provided to client companies for a contractual period of less than 12 months.

Line 14. PROPERTY FACTOR: The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period.

Property owned by the taxpayer is valued at original cost. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the State Tax Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property. Property rented by the taxpayer is valued at eight times the net annual rental rate.

SCHEDULE B INSTRUCTIONS

See Schedule B for specific instructions for each line. Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return.

If the corporation is not required to file federal Form 4626 due to the small corporation exemption, the corporation will not be subject to Maine minimum tax.

Line 20. MODIFICATIONS: Enter on this line the total of the applicable Maine addition modifications under § 5200-A(1) to the extent not already included in federal alternative minimum taxable income. Also enter on this line the total of the applicable subtraction

modifications under § 5200-A(2) to the extent not already eliminated from federal alternative minimum taxable income. See Form 1120ME, lines 2 and 4 for a list of applicable modifications. For more information on how to calculate the modifications to federal alternative minimum taxable income, go to our web site at www.maine.gov/revenue/forms for the worksheet for Maine alternative minimum tax.

Line 22. EXEMPTION: You must recalculate the exemption amount on federal Form 4626 to find the total to use for purposes of the Maine alternative minimum tax. To do this, enter the amount from Schedule B, line 21 on a blank Form 4626, line 7. Then, follow the federal instructions for calculating the exemption amount on line 8c. Enter the amount from the recalculated Form 4626, line 8c on Schedule

B, line 22.

Line 24. APPORTIONMENT FACTOR: Enter the apportionment factor from Schedule A, line 15 unless 100% of your business activity is apportionable to Maine. Enter the value as a decimal amount. If 100% of your business activity is apportionable to Maine, enter the amount as "1.000000".

Line 28b. PINE TREE DEVELOPMENT ZONE CREDIT: The credit application worksheet is available at www.maine.gov/revenue/forms, then select Worksheets for Tax Credits. Attach a copy of the worksheet to your return.

SCHEDULE C INSTRUCTIONS

Tax Credit Worksheets. Except for the minimum tax credit (which is claimed on Schedule D) and the machinery and equipment credit carryover, you must complete and attach a tax credit worksheet for each tax credit claimed. Tax credit worksheets may be downloaded from the internet. Go to www.maine.gov/revenue/forms and select Worksheets for Tax Credits. You may also order worksheets by telephone by calling (207) 624-7894.

Credit Claimed. For each credit, enter in the appropriate space the total amount of the available credit, calculated without regard to the limitations imposed by the entity's tax liability. An amount should be entered only in the year the credit is initially calculated.

Amount Used. For each credit, enter in the appropriate space the amount of credit that is used to reduce tax liability this year. **The total amount of credit on line 29o that may be used this year cannot exceed the tax liability on line 7a of Form 1120ME.**

29a. Maine Seed Capital Tax Credit: Enter on this line the tax credit as authorized by the Finance Authority of Maine. A copy of the tax credit certificate must be attached to the return. The amount of credit is subject to limitations as outlined in 36 M.R.S.A. § 5216-B. **You must complete and attach a tax credit worksheet.**

29b. Jobs and Investment Tax Credit: A tax credit for qualifying jobs and investment is entered on this line. Eligibility for the credit requires the addition of \$5 million of IRC § 38

property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new jobs attributable to that investment in the 24-month period following the date the property was placed in service. For further details see 36 M.R.S.A. § 5215. **You must complete and attach a tax credit worksheet.**

29c. Employer-Assisted Day Care Tax Credit and Quality Child Care Investment Credit: Line 29c is used for both credits. Combine the credits for purposes of the credit claimed and credit used.

Employer-Assisted Day Care Tax Credit: A taxpayer constituting an employing unit is allowed a credit for providing day care for, or paying day care expenses of, employees, subject to the limitations of 36 M.R.S.A. § 5217. This credit

SCHEDULE C INSTRUCTIONS (continued)

is doubled if the day care provided constitutes quality child care. The Maine Department of Health and Human Services (“DHHS”), Office of Child Care and Head Start, certifies quality child care facilities. For more information on quality child care services and the certification process, call DHHS, Office of Child Care and Head Start, at 207-287-5099. **You must complete and attach a tax credit worksheet.**

Quality Child Care Investment Credit:

Corporate taxpayers making certified investment in quality child care services qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. The Maine Department of Health and Human Services, Office of Child Care and Head Start, must certify eligible investments. 36 M.R.S.A. § 5219-Q. For more information on quality child care services and the certification process, call DHHS, Office of Child Care and Head Start, at 207-287-5099. **You must complete and attach a tax credit worksheet.**

29d. Employer-Provided Long-Term Care Benefits Credit:

Employers are eligible for the employer-provided long-term care credit if the policy on which premiums are paid is certified by the Maine Bureau of Insurance or the policy meets the federal definition of a qualified long-term care insurance contract under the Internal Revenue Code. If the qualifying policy is one certified by the Bureau of Insurance, enter the policy number at line 29d. 36 M.R.S.A. § 5217-C. **You must complete and attach a tax credit worksheet.**

29e. Pine Tree Development Zone Credit:

A taxpayer engaged in the business of financial services, manufacturing or a targeted technology, as defined by 5 M.R.S.A. § 15301, that is located within a Pine Tree Development Zone may be eligible for this credit. To be eligible, the taxpayer must be certified by the Department of Economic and Community Development (“DECD”), add new, full-time jobs that meet certain wage requirements and offer the new employees retirement and health care benefits. 36 M.R.S.A. § 5219-W. **You must attach a copy of the certificate issued by DECD and a completed tax credit worksheet.** For more information and examples, visit www.maine.gov/revenue/incomeestate and select Guidance Documents.

29f. Biofuel Production Tax Credit:

A taxpayer engaged in the production of biofuels in Maine who has received certification from the Commissioner of the Maine Department of Environmental Protection (DEP) is allowed a credit against the tax imposed on income derived during the taxable year from the production of biofuel equal to the amount of \$0.05 per gallon of liquid biofuel or gaseous biofuel with a BTU equivalent to that of one gallon of gasoline that replaces the use of petroleum or liquid fuels derived from other fossil carbon sources. When claiming this credit, attach a copy of the certificate issued by the Maine DEP. 36 M.R.S.A. § 5219-X. **You must complete and attach a tax credit worksheet.**

29g. Research Expense Tax Credit: The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous 3 tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term “qualified research” is defined in IRC § 41(d). 36 M.R.S.A. § 5219-K. **You must complete and attach a tax credit worksheet.**

29h. Super Research and Development Credit:

Businesses whose Maine research expenses increase by more than 50% over the average research expenses incurred in the three tax years immediately preceding June 12, 1997 qualify for this credit. 36 M.R.S.A. § 5219-L. **You must complete and attach a tax credit worksheet.**

29i. High-Technology Investment Tax Credit:

Businesses engaged primarily in high-tech activities are eligible for this credit. The credit is equal to the adjusted basis of eligible equipment on the date that equipment is placed in service in Maine subject to certain reductions. The credit is limited to \$100,000 per year (\$200,000 in certain cases) and may not reduce the tax liability below zero. 36 M.R.S.A. § 5219-M. **You must complete and attach a tax credit worksheet.**

29j. Maine Minimum Tax Credit:

Complete Schedule D on page 4 of Form 1120ME to calculate your credit. 36 M.R.S.A. § 5203-A(5).

29k. Credit for Dependent Health Benefits Paid:

Employers that offer a qualified health benefit plan and that employ fewer than five employees may qualify for this credit. The credit is equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. 36 M.R.S.A. § 5219-O. **You must complete and attach a tax credit worksheet.**

29l. Clean Fuel Credit:

The credit is based on the expenditures paid or incurred for construction, installation of, or improvements to any filling station or charging station in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. 36 M.R.S.A. § 5219-P. **You must complete and attach a tax credit worksheet.**

29m. Historic Rehabilitation Credit:

A taxpayer is allowed a credit equal to the amount of the federal credit, including carryovers, for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. 36 M.R.S.A. § 5219-R. **You must complete and attach a tax credit worksheet.**

29n. OTHER: Enter on this line, the sum of the following credits:

Machinery and Equipment Investment Tax Credit: Enter the amount of the credit carried forward to this tax year. Attach a schedule verifying the amount carried forward.

Family Development Account Credit:

Contributors to family development matching fund accounts are eligible for a credit. The credit per tax return is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. Call 207-623-3263 for further information. 36 M.R.S.A. § 5216-C. **You must complete and attach a tax credit worksheet.**

Media Production Credit:

A media production company engaged in a media production that is certified by the Department of Economic and Community Development (“DECD”) is allowed a credit against the Maine income tax related to the certified media production. 36 M.R.S.A. § 5219-Y. Those companies that are eligible for this credit may also be eligible for a partial reimbursement for wages paid to employees working in a qualified project. 36 M.R.S.A. c. 919-A. Businesses claiming the Pine Tree Development Zone income tax credit under 36 M.R.S.A. § 5219-W are not eligible for this credit. **You must complete and attach a tax credit worksheet.**

Credit for Pollution Control Boilers:

A qualified business is allowed a credit of 1.5¢ per kilowatt-hour (or equivalent) produced by a pollution-reducing boiler. Eligible businesses and boilers are certified by the Department of Environmental Protection. The credit applies to tax years beginning on or after January 1, 2006 and is repealed December 31, 2009. 36 M.R.S.A. § 5219-Z. **You must complete and attach a tax credit worksheet.**

Wind Energy Credit:

A community wind power generator that is certified by the Public Utilities Commission is entitled to a 100% income tax credit for ten consecutive years following the commencement of operation. The credit is limited to the tax associated with the taxable income of the wind power generator. Qualified generators are also eligible for sales tax exemptions and/or reimbursements. 36 M.R.S.A. § 5219-AA. **You must complete and attach a tax credit worksheet.**

(NOTE: The total of Schedule C line 29a through 29n credits cannot exceed the tax liability on line 7a, Form 1120ME.)

You must complete and attach tax credit worksheets showing your calculations for credits claimed. Tax credit worksheets and instructions are available at www.maine.gov/revenue/forms; select Worksheets for Tax Credits.

COMBINED REPORT FOR UNITARY MEMBERS (FORM CR) INSTRUCTIONS

The combined report, when applicable, must be filed with Form 1120ME or Form 1120X-ME. This report must be accompanied by an affiliation schedule (federal Form 851 for consolidated filers is acceptable) listing name, federal ID number and corporate activity of all members of the affiliated group, both unitary and non-unitary members.

A. PURPOSE OF FORM:

NOTE: Only unitary business group members are to be included on this form. Affiliated non-unitary members are not to be included on Form CR.

Form CR is used to calculate the “taxable income under the laws of the United States” (36 M.R.S.A. § 5102(8)) of a unitary business. Taxable income under the laws of the United States of a unitary business is: (a) separate federal taxable income as defined under federal consolidated regulations for each member of a unitary business that is a member of a single federal consolidated filing; plus (b) separate federal taxable income as defined under federal consolidated regulations for members of a unitary business that are members of other federal consolidated filings; plus (c)

federal taxable income from the federal returns of the unitary members that are not members of a federal consolidated group; plus (d) adjustments for certain intercompany transactions between members of the unitary business.

B. COMBINED REPORTING:

Corporations with taxable income under the laws of the United States that are members of an affiliated group engaged in a unitary business must file a combined report. Corporations that are members of a unitary business but are not required to file a federal return must be excluded from the combined report. This includes those corporations not required, but electing, to file a federal tax return.

“Affiliated group” means a group of two or more corporations of which more than 50% of

the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. 36 M.R.S.A. § 5102(1-B). A “unitary business” is a business activity that is characterized by unity of ownership, functional integration, centralization of management and economies of scale. 36 M.R.S.A. § 5102(10-A). See page 3 for more information.

All corporations, including any foreign sales corporation (“FSC”), required to file federal returns that are part of a unitary business are required to be included in the combined report of any taxable corporation with Maine nexus, even if the affiliated corporation has no nexus with Maine.

See MRS Rule 810 for more information.

C. COLUMN INSTRUCTIONS:

Column 1. Place a check mark in this column for corporations listed in column 2 that have nexus with Maine (see explanation of nexus on page 2).

Column 2. Enter the name and federal identification number of each member of the unitary business. For an explanation of what constitutes a unitary business, see instructions on page 2 and 3. Indicate whether the corporation is an FSC, REIT or 936 corporation.

Column 3. Enter the separate federal taxable income under U. S. Treasury Regulation § 1.1502 of each member listed in column 2 that was part of a federal consolidated return (member’s share of Form 1120, line 28). This information can be obtained from the supporting statement filed with federal Form 1120 for consolidated returns. **Attach a copy of the supporting statement from the consolidated return.**

Column 4. Enter the federal taxable income of each corporation listed in column 2 that filed a separate federal return (Form 1120, line 28 or equivalent income from other federally filed return). Entries in column 4 relate to member corporations of the unitary business that were not included in a federal consolidated return.

Each corporation on this report should have an amount entered in either column 3 or column 4, but not both.

Column 5. Enter any adjustments for eliminations, deferrals and other modifications allowed under federal law and regulations not yet taken in column 3. Include any intercompany transactions between corporations listed on this report if those transactions resulted in gains or losses. For transactions between unitary business members not part of the same consolidated filing, enter adjustments allowed under MRS Rule 810.03(D). **Attach a worksheet that details adjustments claimed in column 5.**

Column 6. Combine columns 3, 4 and 5. This is the adjusted separate income of each member of the unitary business group.

Column 7, A. State modification subtractions. Enter the share of state subtraction modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for all unitary members must agree with Form 1120ME, line 2k.

Column 7, B. State modification additions. Enter the share of state addition modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for all unitary members must agree with Form 1120ME, line 4h. Attach a supporting schedule.

Columns 8-10. Enter each corporation’s share of sales, payroll and property of the unitary business. The totals should be carried over from line 17 to

Form 1120ME, Schedule A. If a single return is filed for the entire group, the amounts listed on the total lines of columns 8, 9 and 10 must agree with those entered on lines 12, 13 and 14, Columns (A) and (B) of Schedule A, Form 1120ME.

D. LINE INSTRUCTIONS:

Line 16. To the extent not already eliminated, remove all intercompany transactions. These eliminations are for page 2, columns 7-10 only. Attach a worksheet that details any adjustment claimed on this line.

Line 17. Enter the total for each of columns 3 through 10.

Line 18. Enter allowable special deductions for the unitary business (from federal Form 1120, line 29b). These deductions must be aggregated and adjusted, if necessary, in a manner consistent with federal consolidated filing requirements.

Line 19. Enter the allowable NOL deductions for the unitary business. See MRS Rule 810.09 (allocation and uses of net operating losses).

Line 20. Enter the total from column 6 minus the deductions on lines 18 and 19. If filing a single return, enter on this line and on Form 1120ME, page 1, line 1. This is the taxable income under the laws of the United States of the unitary business.

2006 MAINE AMENDED CORPORATE INCOME TAX RETURN (1120X-ME)

This form may only be used to amend a 2006 Maine tax return

GENERAL INSTRUCTIONS

Purpose of form: A Maine amended return must be filed when: 1) an amended federal return has been filed that affects the taxpayer's liability; 2) the Internal Revenue Service has made a change or correction that affects the taxpayer's liability; or 3) there are other changes or corrections that affect the taxpayer's liability.

Form to use: Use **2006 Form 1120X-ME** to correct Form 1120ME returns for year **2006 only**. To correct Form 1120ME or Form 1120A-ME returns for years **1991 through 2005**, use a **Form 1120X-ME applicable to appropriate year**. To obtain a Form 1120X-ME for years 1991 through 2005, call 207-624-7894. For years prior to 1991, use **Form 1120ME for the year(s) prior to 1991 you are amending** and print or type "amended" in the upper left corner of the form. To obtain a form for the pre-1991 year being amended, call 207-624-7894.

Attachments: Attach copies of federal Form 1120X or the Internal Revenue Agent report to support changes shown on Maine Form 1120X-ME. In the event of a net operating loss, attach a copy of federal Form 1139 for each year you are amending. For all amended returns, Schedules A through D must be completed, even if the amounts have not changed from the original return.

Reporting Net Operating Loss: Federal net operating losses, including carrybacks and carryforwards, are reflected in the federal taxable income reported on the Maine corporate income tax return, line 1. If the Maine amended return being filed is due to federal NOL carrybacks or carryforwards, you must attach a copy of federal Form 1139 or Form 1120X and a schedule that reflects, from year to year, the use of the federal NOL carryback or carryforward and related income modifications described below. Corporations included in a federal consolidated return filing a separate Maine return that carry back a loss for Maine purposes that differs from the federal NOL carryback must complete and attach to the Maine Form 1120X-ME a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the amount of NOL deduction being claimed for Maine purposes. Clearly mark the form "Maine pro forma."

The following modifications are reported on the Maine corporate income tax return, line 4d: 1) for tax years beginning prior to 2002, the amount of any NOL for the current taxable year which, for federal income tax purposes, has been or will be carried back to previous taxable years in accordance with IRC § 172; 2) the amount of any NOL carryover deduction claimed for federal income tax purposes in accordance with IRC § 172 which has previously been used to offset Maine modifications to federal taxable income under 36 M.R.S.A. § 5200-A(1).

The following modifications are also reported on the Maine corporate income tax return, line 4d: 1) for NOLs arising in tax years 1991 – 1992 and beginning on or after January 1, 2002 that were carried back for federal income tax purposes, the federal taxable income in the year or years preceding the year of the loss must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback; 2) for

NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, the federal taxable income in the year or years preceding the year of the loss by more than two years must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback. The modification relating to NOLs arising in years beginning or ending in 2001 does not apply to certain small businesses and farmers.

For NOLs arising in tax years 1991 – 1992, the federal taxable income of the taxpayer in the 15-year period following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years 1989 – 1992. Likewise, for NOLs arising in tax years beginning on or after January 1, 2002, the federal taxable income of the taxpayer in the 20-year period following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning on or after January 1, 2002. For NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, federal taxable income in the two years preceding the year of the loss and within the allowable carryover period for NOLs may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning or ending in 2001. However, adjusted federal taxable income may not be reduced to less than zero. The modifications described in this paragraph are reported on line 2f of the Maine corporate income tax return.

Alternative Minimum Tax: The above modifications also apply to the Maine Alternative Minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications.

Unitary groups: For a unitary group filing a combined Maine return, the federal taxable income to be reported on the Maine corporate return, line 1 is the federal taxable income under the laws of the United States for the unitary group (see MRS Rule 810). This is the amount shown on Form CR, line 20 as amended. All unitary business groups must complete Form CR. The determination of the federal taxable income of the unitary group in accordance with MRS Rule 810 may result in a federal NOL for Maine tax purposes that differs from the federal NOL. This is generally the result of the unitary group being different than the federal consolidated group. Regardless of the federal NOL amount, the NOL amount for the Maine unitary group may be carried back (for tax years beginning prior to 2002) or forward consistent with the Internal Revenue Code and related regulations, subject to the modifications of 36 M.R.S.A. § 5200-A(1)(B), (C) & (H) and subject to the requirements of MRS Rule 810. If the loss being carried back for Maine purposes is different than the loss being carried back for federal purposes, complete and attach a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the NOL deductions being claimed for Maine purposes. Clearly mark the form "Maine pro forma." If the composition of the unitary group changes, see MRS Rule 810 for guidance on the allocation and use of NOLs.

Do not alter form: Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME. These forms cannot be altered

The following example illustrates Maine adjustments related to federal NOL Carrybacks:

Corresponding Line on Maine Return	Carryback Year 2003	NOL Year 2004	Carryforward Years 2005	2006
Federal taxable income prior to NOL deduction	55,000	- 60,000	35,000	25,000
	<u>- 55,000</u>		<u>- 5,000</u>	
1. FTI after NOL deduction	0	- 60,000	30,000	25,000
2f. Deduction Modification 5200-A (2)(H)			- 40,000	- 5,000
Addition Modifications:				
4d. 5200-A (1)(H)	55,000			
4g. Other		10,000	10,000	8,000
6. Adjusted Fed. Taxable Income	55,000	-50,000	0	28,000

Of the original \$60,000 loss in 2004, \$55,000 is carried back for federal purposes, but disallowed for Maine purposes. The remaining \$5,000 is carried forward at the federal level and is included in 2005 FTI. For Maine purposes, the amount equal to the federal carryback is allowed as a subtraction modification to the extent that it does not reduce Adjusted Federal Taxable Income below zero, is within the allowed federal carryover period and has not previously been used to offset Maine income. In this example, \$10,000 of the federal NOL was used to offset Maine addition modifications in the year of the loss, reducing the overall subtraction modification allowable in future years from \$55,000 to \$45,000. For additional information concerning the NOL recovery adjustment, see www.maine.gov/revenue/incomeestate and select Guidance Documents.

2006 MAINE AMENDED CORPORATE INCOME TAX RETURN (1120X-ME)

GENERAL INSTRUCTIONS (continued)

in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned. All dollar amounts other than zero must be written in the appropriate column even if the amount has not changed from a previous return or filing period. Any box in column C that is left blank will be read as a zero.

When to file: Amended Maine income tax returns must be filed within 90 days of the final determination of the change or correction of the filing of the federal amended return or Internal Revenue Agent report. File Form 1120X-ME only after you have filed an original return.

Generally, to receive a refund of taxes paid, you must file Form 1120X-ME within three years after the date the original return was filed, or within three years after the date the tax was paid, whichever is later. This time limit does not apply when the Internal Revenue Service makes an adjustment that affects the taxpayer's liability.

Combined Reports: Refer to the instructions for Form CR and Combined Reporting in the corporate income tax booklet. You must attach a copy of Form CR to Form 1120X-ME if you are a member of a unitary business group.

Reason for change: Check the appropriate box to identify the reason for filing this form: 1) if an Internal Revenue Service audit change, attach a copy of the federal audit; 2) if a net operating loss, attach a copy of federal Form 1139; 3) if an amended federal Form 1120X, attach a copy of the federal amended return; 4) if an accounting change, attach approval of acceptance from the Internal Revenue Service; 5) if other, attach a written explanation of change.

Net Operating Loss.
A. For calendar tax year **2000 and earlier** calendar and fiscal tax years (except 1989 - 1993; see instructions for those years), Maine conforms to all federal net operating loss carrybacks and carryforwards.

NOTE: For tax years 2005 and later, you must apportion the gross tax amount to determine Maine liability. For years prior to 2005, the apportionment percentage was applied to income instead of tax. Be sure to select the correct amended return for the year you wish to amend. For more information, see instructions for Form 1120ME, lines 6 and 7a on page 6.

B. For tax years beginning or ending in **2001**, Maine allowed a two-year federal carryback and a longer carryback in certain situations (five years for farmers, for example. See IRC § 172). However, Maine decoupled from the special five-year carryback period allowed under the Jobs Creation and Worker Assistance Act of 2002 (See federal PL 107-147).

C. For tax years **2002 and on**, Maine does not allow any NOL carryback.

An incomplete Form 1120X-ME cannot be processed. Attaching schedules or spreadsheets in lieu of this form is not acceptable.

See specific instructions for Form 1120X-ME on page 12.



2006

FORM 1120EXT-ME

CORPORATIONS

MAINE EXTENSION TAX PAYMENT VOUCHER FOR



Enter the beginning and ending dates for the **tax year** (NOT the quarter dates)

to

M M DD YY
M M DD YY

Corporation Name

Address

City, Town or Post Office

\$.00
Amount of Payment

Federal Employer Identification Number

Original Due Date of
Your Federal Tax Return

M M DD YY
State
ZIP Code

Detach this voucher and make check payable to **TREASURER, STATE OF MAINE**. Mail both to:
 Maine Revenue Services, P.O. Box 9114, Augusta, ME 04332-9114 using the address label inserted in this booklet.

2006 MAINE AMENDED CORPORATE INCOME TAX RETURN (1120X-ME)

SPECIFIC INSTRUCTIONS

Column A: Enter the amounts from your return as originally filed or previously amended. If your return was adjusted or audited by the State of Maine, enter the amounts as last adjusted.

Column B: Enter the net increase or net decrease for each line that is changed. Use a minus sign to the left of the number to indicate a decrease.

Column C: This column must be filled out completely even if the amount in column A is not being adjusted. Combine the amounts in column A and column B and enter the result in column C.

SCHEDULES A - D:

Check the Amended box if the schedule is being changed as a result of this amended return and complete each schedule with the amended figures.

Check the Original or Previously Adjusted box if the schedule shows the figures as last adjusted or originally filed. In all cases, properly complete columns A, B and C of Form 1120X-ME, lines 7a, 7b and 8d as they relate to Schedules A, B and C.

Schedule A: Schedule A is for corporations engaged in interstate business. If this is the case, you must complete this schedule, even if you are not changing the figures from the original or as previously adjusted. See additional Schedule A instructions on page 6 and 7.

Schedule B: Complete this schedule even if figures are the same as originally filed or previously adjusted. Note: the method of calculating Minimum Tax was changed for 2004. For years prior to 2006, use the Schedule B applicable to the tax year return being amended.

The amended return in this booklet is for tax year 2006 only.

Schedule C: If you had other credits on your original return that are still valid, you must enter those credits here, even if you are not making any adjustments. See additional Schedule C instructions on page 8.

Schedule D: A minimum tax credit is available for tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete this schedule to calculate your credit. You must complete this schedule and enter line 30g on Schedule C, line 29j, even if you are not changing the figures from the original return or as previously adjusted.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1-4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.



Federal EIN

0600102

SCHEDULE A - APPORTIONMENT OF TAX

Do not complete this schedule if 100% of your business activity is apportionable to Maine. Schedules B, C, and D may still be required.

All others must complete this schedule and enter amounts in columns A and B, even if those amounts are zero. If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. Round all dollar amounts to whole numbers.

Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 M.R.S.A. § 5212(2).

Table with 3 columns: (A) Within Maine, (B) Everywhere, (C) Maine Factors. Rows include Total Sales, Total Payroll, and Total Property with calculation formulas.

If one of these factors has a value of zero in both column A and column B, see the instructions on page 7.

Summary rows for MAINE APPORTIONMENT FACTOR, GROSS TAX, MAINE CORPORATE INCOME TAX, and TANGIBLE PERSONAL PROPERTY.

SCHEDULE B - MINIMUM TAX (Attach federal Form 4626)

Table for Schedule B with rows for FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME, MODIFICATIONS, TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, EXEMPTION, ADJUSTED TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, APPORTIONMENT FACTOR, ALTERNATIVE MINIMUM TAXABLE INCOME, TENTATIVE MINIMUM TAX, INCOME TAX, and PINE TREE DEVELOPMENT ZONE CREDIT.



Federal EIN

SCHEDULE C - OTHER CREDITS

(Attach worksheets. To get worksheets, see www.maine.gov/revenue/forms)

Table with 13 columns: Credit Name, Credit Claimed, Amount Used, Line Number, and Amount. Rows include MAINE SEED CAPITAL TAX CREDIT, JOBS AND INVESTMENT TAX CREDIT, EMPLOYER-ASSISTED DAY CARE TAX CREDIT, etc.

SCHEDULE D - MINIMUM TAX CREDIT

Table with 4 columns: Description, Line Number, and Amount. Rows include NET STATE MINIMUM TAX FOR 2005, MINIMUM TAX CREDIT CARRYOVER FROM 2005, LINE A PLUS LINE B, etc.



MAINE CORPORATE INCOME TAX
COMBINED REPORT FOR UNITARY MEMBERS

2006

Federal EIN: _____

Important: The Combined Report must be accompanied by a legible copy of the parent corporation's Federal Consolidated Tax Return, pages 1, 2, 3 and 4 (or equivalent) and affiliation schedule.

This report must be attached to Form 1120ME

Col 1	Column 2*	Column 3	Column 4	Column 5	Column 6
Nexus with Maine	Corporation Name and Federal Identification Number of Unitary Business Member * Please indicate if FSC, REIT or 936 corporation.	Income of Unitary Members Participating in a Federal Consolidated Filing	Income of Unitary Members Filing Separate Federal Returns	Allowable Adjustments	Adjusted Separate Income of Unitary Members (Combine Columns 3, 4 and 5)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16	Adjustments and eliminations for columns 7 through 10				
17	TOTALS:				
				18. Special Deductions	
				19. Unitary NOL Deduction	
				20. Taxable Income Under the Laws of the United States	

2006

**MAINE CORPORATE INCOME TAX
COMBINED REPORT FOR UNITARY MEMBERS**

Important: The Combined Report must be accompanied by an affiliation schedule listing the name, federal EIN, and corporate activity of all members of the affiliated group, including both unitary and non-unitary members.

This report must be attached to Form 1120ME

	Column 7 State Modifications		Column 8		Column 9		Column 10	
	A. Subtractions	B. Additions	A. Sales in Maine	B. Sales Everywhere	A. Payroll in Maine	B. Payroll Everywhere	A. Property in Maine	B. Property Everywhere
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								
16. Adjustments								
17. TOTALS								



For calendar year 2006 or tax year

06 to MM DD YY MM DD YY

0600600

USE THIS FORM ONLY FOR TAX YEAR 2006

Name of Corporation Federal Business code

Address Federal Employer ID Number State of Incorporation

City, Town, or Post Office State ZIP Code Parent Company Employer ID Number

Contact Person's First Name Contact Person's Last Name Telephone Number

REASON FOR CHANGE: (1) IRS change (2) Net operating loss (3) Federal amended 1120X (4) Accounting change (5) Other (attach explanation) (6) You are a member of an affiliated group filing a separate return (7) You are filing a combined return (If so, complete & attach Form CR)

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.

Table with columns: A. Original, B. Adjustment, C. Correct Amount. Rows include: A. CONSOLIDATED FEDERAL TAXABLE INCOME, 1. FEDERAL TAXABLE INCOME, 2. SUBTRACTIONS (NONTAXABLE INTEREST, FOREIGN DIVIDEND GROSS-UP, WORK OPPORTUNITY CREDIT AND EMPLOYMENT ZONE CREDIT DEDUCTIONS, INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S., DIVIDENDS FROM CERTAIN AFFILIATED CORPORATIONS, NET OPERATING LOSS DEDUCTION CARRY-OVER, INCOME FROM OWNERSHIP INTEREST IN PASS-THROUGH FINANCIAL ENTITIES, STATE INCOME TAX REFUNDS, BONUS DEPRECIATION / SECTION 179 EXPENSE RECAPTURE, OTHER), 3. LINE 1 MINUS LINE 2k, 4. ADDITIONS (INCOME TAXES imposed by Maine or any other state, UNRELATED EXPENSES, INTEREST FROM STATE AND MUNICIPAL BONDS other than Maine, NET OPERATING LOSS RECOVERY ADJUSTMENT, DOMESTIC PRODUCTION ACTIVITIES DEDUCTION ADD-BACK, SECTION 179 EXPENSE ADD-BACK, OTHER), h. TOTAL ADDITIONS.

2006 MAINE AMENDED CORPORATE INCOME TAX RETURN



Federal EIN

Table with columns A (Original), B (Adjustment), and C (Correct Amount). Rows include ADJUSTED FEDERAL TAXABLE INCOME, GROSS TAX, MAINE CORPORATE INCOME TAX, MINIMUM TAX, and TOTAL TAX.

Table for PAYMENTS AND CREDITS. Rows include MAINE ESTIMATED TAX PAID, EXTENSION PAYMENT, PAYMENT WITH ORIGINAL RETURN AND ADDITIONAL PAYMENTS, OTHER CREDITS, PASS-THROUGH ENTITY WITHHOLDING, TOTAL PAYMENTS AND CREDITS, OVERPAYMENT, LINE 8f MINUS LINE 8g, TAX DUE, PENALTY FOR UNDERPAYMENT, TOTAL AMOUNT DUE, and REFUNDED.

COMPANY'S WEB SITE ADDRESS, CORPORATION PRESIDENT'S NAME SOCIAL SECURITY NUMBER, TREASURER'S NAME SOCIAL SECURITY NUMBER

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

DATE, OFFICER'S SIGNATURE, TITLE, Social Security Number, DATE, SIGNATURE AND ADDRESS OF PREPARER (INDIVIDUAL OR FIRM), PREPARER'S SSN OR PTIN

File return with: Maine Revenue Services P.O. Box 1062 Augusta, ME 04332-1062

Office use only LG



Federal EIN

SCHEDULE A - APPORTIONMENT OF TAX

Check here if this has been amended: [] Check here if this is as originally reported or previously adjusted: []

Do not complete this schedule if 100% of your business activity is apportionable to Maine.

All others must complete this schedule and enter amounts in Columns A and B, even if those amounts are zero. If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. Round all dollar amounts to whole numbers.

[] Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 M.R.S.A. § 5212(2).

Table with 3 columns: Within Maine (A), Everywhere (B), and Maine Factors Col. (A) / Col. (B) x Statutory Weighting Rounded to 6 Decimals (C). Rows include Total Sales, Total Payroll, and Total Property.

If one of these factors has a value of zero in both column A and column B, see the instructions on page 7.

Summary rows for MAINE APPORTIONMENT FACTOR, GROSS TAX, MAINE CORPORATE INCOME TAX, and TANGIBLE PERSONAL PROPERTY.

SCHEDULE B - MINIMUM TAX

Check here if this has been amended: [] Check here if this is as originally reported or previously adjusted: []

Attach federal Form 4626. This schedule must be completed even if it is the same as originally filed or previously adjusted.

Main calculation table for Schedule B with rows 19 through 28c, including Federal Alternative Minimum Taxable Income, Exemption, and Final Alternative Minimum Tax.

2006 MAINE AMENDED CORPORATE INCOME TAX RETURN



Federal EIN

SCHEDULE C - OTHER CREDITS

Check here if this has been amended: [] Check here if this is as originally reported or previously adjusted: [] This schedule must be completed even if it is the same as originally filed or previously adjusted.

Table with 3 columns: Description, Amount Used, and Total. Rows include MAINE SEED CAPITAL TAX CREDIT, JOBS AND INVESTMENT TAX CREDIT, EMPLOYER-ASSISTED DAY CARE TAX CREDIT AND QUALITY CHILD CARE INVESTMENT CREDIT, EMPLOYER-PROVIDED LONG-TERM CARE BENEFITS CREDIT, PINE TREE DEVELOPMENT ZONE CREDIT, BIOFUEL PRODUCTION CREDIT, RESEARCH EXPENSE TAX CREDIT, SUPER RESEARCH AND DEVELOPMENT CREDIT, HIGH-TECHNOLOGY INVESTMENT TAX CREDIT, MINIMUM TAX CREDIT, CREDIT FOR DEPENDENT HEALTH BENEFITS PAID, CLEAN FUEL CREDIT, HISTORIC REHABILITATION CREDIT, and OTHER. All amounts are .00.

SCHEDULE D - MINIMUM TAX CREDIT

Check here if this has been amended: [] Check here if this is as originally reported or previously adjusted: [] This schedule must be completed even if it is the same as originally filed or previously adjusted.

Table with 3 columns: Description, Amount, and Total. Rows include NET STATE MINIMUM TAX FOR 2005, MINIMUM TAX CREDIT CARRYOVER FROM 2005, LINE A PLUS LINE B, REGULAR INCOME TAX LIABILITY FOR 2006, TENTATIVE MINIMUM TAX, LINE D MINUS LINE E, STATE MINIMUM TAX CREDIT, and Maine minimum tax credit CARRYOVER TO 2007. All amounts are .00.

MAINE REVENUE SERVICES MISSION STATEMENT

The mission of Maine Revenue Services is to serve the citizens of Maine by administering the tax laws of the State effectively and professionally in order to provide the revenues necessary to support Maine government. To accomplish this mission, we will:

- Foster voluntary compliance with the tax laws by providing clear, complete, accurate, and timely guidance to taxpayers to help them understand and meet their responsibilities under the law.
- Maintain the highest standards of integrity, fairness, confidentiality and courtesy in everything we do.



Eliminate Paper
Use EZ Pay
(See Page 4 for details or
go to www.maine.gov/revenue)

Are you required to collect and remit Maine sales & use tax?

Registration for reporting and remitting sales and use tax in Maine may be required if you:

- maintain an office, manufacturing facility, distribution facility, warehouse or storage facility, sales or sample room, or other place of business in Maine;
- solicit orders for retail sales through one or more salespeople within the State;
- make sales on behalf of a non-registered retailer located outside Maine;
- have a substantial physical presence in Maine sufficient to satisfy the requirements of the due process and commerce clauses of the United States Constitution;
- lease tangible personal property located in Maine and make retail sales to purchasers from Maine;
- receive compensation from sales of tangible personal property or taxable services made outside Maine by a retailer for use, storage or consumption within Maine; or
- manage, operate, collect or receive rent from a hotel, rooming house, tourist or trailer camp in Maine.

For more detailed information and assistance to confirm whether you need to register with Maine for sales and use tax, contact Maine Revenue Services at (207) 624-9693 or online at www.maine.gov/revenue.

MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services (“MRS”) maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct

of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer except as allowed under 36 M.R.S.A. § 191. Communications that do not meet the definition of tax information are

subject to the general confidentiality and public inspection provisions of Maine’s “Freedom of Access” laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.

2006 IMPORTANT TAX LAW CHANGES

Sale of multifamily affordable housing. 36 M.R.S.A. §§ 5122(2)(W) & 5200-A(2)(Q). Certain gains are exempted from Maine individual and corporate income tax through a subtraction modification. The modification equals the total of capital gains and ordinary income resulting from depreciation recapture pursuant to Code sections 1245 and 1250 realized on the sale of multifamily affordable housing property. This removes income from the Maine income tax which is subject to the federal income tax. Qualified property must be certified by the Maine State Housing Authority. The modification applies to tax years beginning on or after January 1, 2006. See LD 1165, PL 2005, c. 644, §§ 7 & 10.

Media Production Credit. 36 M.R.S.A. § 5219-Y. A media production company engaged in a media production that is certified by the Department of Economic and Community Development (“DECD”) is allowed a credit against the Maine income tax related to the certified media production. The credit may not reduce the entity’s tax liability below zero and unused credit amounts may not be carried over to prior or future years. Businesses claiming the Pine Tree Development Zone income tax credit under 36 M.R.S.A. § 5219-W are not eligible for this credit. See LD #1968, PL 2005, c. 519, Pt. GG, § 2.

Media Production Reimbursement. 36 M.R.S.A. c. 919-A. A media production company engaged in a certified media production is allowed a reimbursement of 12% of compensation paid to Maine resident employees during the certified media production period. The reimbursement rate for qualified nonresident employees is 10% of compensation. The Department of Economic and Community Development is responsible for certifying eligible media productions and issuing reimbursement certificates. A media production

company receiving a reimbursement certificate must file a claim for reimbursement with Maine Revenue Services no later than the 15th day of the month following the month during which the certificate is received. See LD #1968, PL 2005, c. 519, Pt. GG, § 3.

Clean Fuel Credit. 36 M.R.S.A. § 5219-P. The existing clean fuel vehicle economic and infrastructure development credit is extended for expenditures through December 31, 2008 and for tax years through 2007 (2008 for calendar year filers). See LD #1968, PL 2005, c. 519, Pt. PPP.

Credit for Pollution Control Boilers. 36 M.R.S.A. § 5219-Z. A qualified business is allowed a credit of 1.5¢ per kilowatt-hour (or equivalent) produced by a pollution-reducing boiler. The credit may not reduce the taxpayer’s income tax liability to less than zero, but unused credit amounts may be carried over until exhausted. Eligible businesses and boilers will be certified by the Department of Environmental Protection. The credit applies to tax years beginning on or after January 1, 2006 and is repealed December 31, 2009. See LD #1968, PL 2005, c. 519, Pt. TTT.

Community wind power generator credit. 36 M.R.S.A. § 5219-AA. A community wind power generator that is certified by the Public Utilities Commission is entitled to a 100% income tax credit for ten consecutive years following the commencement of operation. The credit is limited to the tax associated with the taxable income of the wind power generator. Qualified generators are also eligible for sales tax exemptions and/or reimbursements. Effective August 23, 2006. See LD 1379, PL 2005, c. 646, § 6.

Unclaimed Property Reporting Requirement
33 M.R.S.A. Chapter 41
Annual Unclaimed Property Reports Due 11/01
Gift Cards and Life Insurance Reports Due 5/01
Forms, Instructions, Extensions and
Electronic Filing available at:
www.maine.gov/unclaimed
Office of the Maine State Treasurer