

TAX LAW CHANGES

The Maine Corporate Income Tax return has been changed to make filing more convenient for taxpayers. Form 1120ME has been shortened and now includes Schedules A through D. As in the past, the Maine Corporate return must be accompanied by the corporation's federal return Form 1120, pages 1 through 4, for the same taxable period. You are not required to provide copies of supporting schedules attached to federal Form 1120 filed with the Internal Revenue Service unless specifically requested.

MAINE CORPORATE SHORT FORM. A corporate short form return, Form 1120A-ME, has been added in 1996 to further simplify filing procedures. A corporation must meet all of the following requirements in order to file using the short form: 1) 100% of business activity conducted in Maine (no apportionment of income); 2) only adjustment to income is Maine income tax; 3) corporation does not file combined return and is not a member of an affiliated group filing a separate return; 4) no tax credits are claimed other than extension payments and/or estimated payments, and; 5) corporation is not required to pay federal alternative minimum tax.

MACHINERY AND EQUIPMENT INVESTMENT TAX CREDIT (36 M.R.S.A. §5219-E). For tax years ending in 1996, taxpayers will be able to claim credit equal to 1% of the qualified investments made in the previous 5 taxable years. Machinery and equipment on which property taxes are reimbursed pursuant to 36 M.R.S.A. Chapter 915 are not eligible for the investment tax credit for that taxable year. The exclusion of property from the Investment Tax Credit Base as a result of reimbursement of the property tax applies to tax years ending on or after July 1, 1997.

SOLID WASTE REDUCTION INVESTMENT TAX CREDIT (36 M.R.S.A. §5219-D(4)). The Solid Waste Reduction Investment Tax Credit administered by the State Planning Office applies to equipment purchased and placed in service during the periods January 1, 1990 to June 30, 1991 or January 1, 1993 to June 30, 1995. The 15-year carryforward for unused Investment Credit has been replaced with a carryforward provision through tax years ending on or before June 30, 1998.

RESEARCH EXPENSE TAX CREDIT (36 M.R.S.A. §5219-K). The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous three 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). The credit is limited to the tax liability of the taxpayer. In the case of corporations, the credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1996. Note: The statutory requirement to add back to federal adjusted gross income (individuals) or taxable income (corporations) research expenses included in the basis for the Research Expense Tax Credit has been repealed.**

PROPER WITHHOLDING OF STATE INCOME TAX (36 M.R.S.A. §5250(2)). Employers must rely on the number of federal withholding exemptions claimed by employees for Maine income tax withholding purposes, unless a withholding exemption variance certificate is provided. In order to claim more exemptions for state than for federal purposes, an employee must certify to the State Tax Assessor that no income tax liability will be incurred for the current tax year. Each variance certificate expires December 31, or when the employee no longer qualifies for the certificate, whichever is sooner.

PENALTY RELIEF TO TAXPAYERS WITH EXTENSIONS (36 M.R.S.A. §5231(3)). There will be no penalty for failure to pay an income tax on time when the return is filed after the due date and the amount due and paid with the return is 10% or less of the total tax liability shown on the return, **provided a valid extension request was filed on the original due date.**

WATER DISTRICT BONDS (35-A M.R.S.A. §6412 (4)). Income from bonds and notes issued by a standard water district formed under 35-A M.R.S.A., Chapter 64 is exempt from state income tax.

CONTRIBUTIONS TO CAPITAL CONSTRUCTION FUND FROM FISHING OPERATIONS EARNINGS (36 M.R.S.A. §5122 (2)(1)). For income tax years beginning on or after January 1, 1991, federal adjusted gross income on the Maine return may be reduced by the amount by which federal taxable income was reduced for earnings from fishing operations that were contributed to a capital construction fund. **However, statute of limitations for filing amended returns may apply. (See Form 1040ME, Schedule 1, line 33g.)**

COMBINED REPORTING OF INCOME TAX WITHHOLDING AND UNEMPLOYMENT CONTRIBUTIONS (36 M.R.S.A. & 26 M.R.S.A.). New legislation allows for Maine combined reporting of Maine income taxes withheld and unemployment insurance contributions. New forms will be issued to employers during 1997 before the filing deadlines.

MAINE EMPLOYMENT TAX INCREMENT FINANCING ACT (36 M.R.S.A., Chapter 917). The Maine Tax Increment Financing Program is established to create new quality jobs to improve the general economy of the state through reimbursement of state income tax withholding to qualified businesses. A qualified business must annually file an application for reimbursement to the State Tax Assessor by April 15.

FAILURE TO FILE PENALTY (36 M.R.S.A. §187-B(1)(A)). The penalty for failure to file a return within 30 days of a demand is \$10 or 10% of the tax liability, whichever is greater. The penalty is 100% of the tax liability if the return is filed after 30 days of the demand. **Note: effective for tax periods beginning on or after January 1, 1997, the penalty for failure to file a return within 30 days of a demand will be \$25 (up from \$10) or 10% of the tax liability, whichever is greater.**

GENERAL INSTRUCTIONS

1. CORPORATIONS SUBJECT TO INCOME TAX: Every entity subject to federal income tax as a corporation (including exempt organizations) and doing business in Maine must file Form 1120ME and pay its applicable Maine corporate income tax. Corporations who elect to file under Subchapter "S" of the Internal Revenue Code (except those with federal taxable income at the corporate level), insurance companies subject to tax under 36 M.R.S.A., Chapter 357 (Insurance Premiums Tax and Fire Investigation and Prevention Tax) and financial institutions subject to tax under 36 M.R.S.A., Chapter 819 (Franchise Tax) are not subject to Maine corporate income tax. Corporate small business investment companies, licensed under the United States Small Business Investment Act of 1958 who 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 limited liability company or a foreign limited liability company 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 limited liability company is classified in the same manner for Maine income tax as for federal income tax purposes.

2. 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 9B 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. **Do not use Form 1120ME.**

3. DATE FOR FILING RETURN: Corporations reporting for the calendar year 1996 should file, with payment, on or before March 17, 1997. Fiscal year taxpayers should file, with payment, on or before the 15th day of the third month following the close of their taxable year.

4. EXTENSIONS FOR FILING: The State Tax Assessor may grant a reasonable extension of time for filing a return. The request for extension must be filed by the 15th day of the third month following the close of the taxable year – even if no additional tax is due. The Maine extension period is the same as the federal extension plus 30 days. Use the extension voucher provided with Form 1120EXT-ME when requesting extensions that require an additional deposit. If no additional tax is due, file a copy of federal Form 7004 with Maine extension, Form 1120EXT-ME. If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax.

5. PAYMENT OF CORPORATE INCOME TAX: All corporations subject to income taxes shall pay an estimated tax unless the liability for the current taxable year or for the prior tax year reduced by any allowable credits is less than \$500. See instructions for Form 1120ES-ME for details.

6. INTEREST: Interest at 10% per annum, compounded monthly, will be added to any balance of tax due from the original

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

7. PENALTIES:

a. Underpayment of estimated tax penalty (for calendar year 1996 – 11% per annum compounded monthly; for calendar year 1997 – 10% per annum compounded monthly) may 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 utilize the previous year's liability in determining the required amount of estimated tax payments.

b. Late filing - late payment penalties. If a past-due return is filed either before the receipt or within 30 days of the receipt of a demand notice, the penalty for failure to file is the greater of \$10 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the failure to file penalty 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.

8. ACCOUNTING PERIOD COVERED BY RETURN: Your Maine return covers the same accounting period as your federal corporate return.

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

10. ADDITIONAL FORMS TO ACCOMPANY STATE RETURN:

a. The Maine corporate return, Form 1120ME, 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 member of a **Federal Consolidation**, the federal return, Consolidated Form 1120, pages 1 through 4 must be provided).

b. Any taxable corporation with Maine nexus that is a member of an affiliated group, whether or not unitary as defined by Maine law, **must complete Schedule CB**. Exempt organizations filing the Maine corporate return, Form 1120ME, must attach a legible copy of the corporation's federal return, Form 990T.

11. FILING REQUIREMENTS FOR CORPORATIONS AND PARTNERSHIPS: S corporations and partnerships 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, a copy of the federal return and Schedules K-1. If you are filing an information return for an S corporation that does not have taxable income 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 would file a return on behalf of its shareholders or partners using form 1040ME labeled "composite return." For additional information, see Rule 805.

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

12. FEDERAL AUDIT CHANGES AND AMENDED RETURNS:

All taxpayers must file a Maine amended return 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.

The state does not provide a form for amended returns. Use Form 1120ME for the year(s) you are amending and check the "Amended Return" box on the form.

Any taxpayer filing an amended federal income tax return must, within 90 days, file an amended Maine income tax return and attach a copy 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.

13. COMBINED REPORTS: A taxable corporation that is a member of an affiliated group and that operates in a unitary fashion

must file a combined return based upon federal taxable income. Corporations that may be part of an affiliated unitary group but are not required to file a federal income tax return are to be excluded from combined filing. Additionally, 80-20 corporations are excluded from the combined group.

Maine defines affiliated group to mean a group of two or more corporations in 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. Unitary is defined as a business activity that is characterized by unity of ownership, functional integration, centralization of management and economies of scale.

A single return may be filed on which the aggregate Maine income tax liability of the Maine-nexus members of a unitary group is reported. All members of the affiliated group are to be listed on Schedule CB. For detailed instructions see Schedule CB.

14. 80-20 CORPORATION DEFINED: An 80-20 corporation is an entity with more than 80% of its aggregate property and payroll located outside the 50 states and District of Columbia and none of its property and payroll located in this State.

15. MAINE SALES AND USE TAX INFORMATION: Taxable items bought from out-of-state sellers who do not collect Maine sales tax are subject to a "use" tax. The use tax equals 6% of the purchase price where no sales tax has been paid. Note that use tax is also due on mail orders where there is no sales tax. There is no use tax liability on purchases where sales tax has been paid to states with at least a 6% sales tax. If you are registered for sales/use tax purposes and are receiving returns, report purchases on the applicable "Taxable Purchases" line of that return. Call 287-2336 if you have questions about Maine Use Tax law.

SPECIFIC INSTRUCTIONS FOR PAGE 1 OF FORM 1120ME

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 would be entered on line 1 of the Maine corporate return. Corporations that are members of an affiliated unitary group should refer to the instructions under "Combined Reports" in paragraph 13 above and on Schedule CB.

Line 2a. NONTAXABLE INTEREST: Enter interest on U.S. bonds, U.S. Treasury Notes, or other obligations of the U.S., which by law are exempt from state taxes, but taxable by the federal government.

Interest from bonds issued by Maine municipalities is exempt from Maine income tax even 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 Waste Management Agency to the extent included in federal taxable income.

Line 2b. FOREIGN DIVIDEND GROSS-UP: Enter amount from federal Form 1120, Schedule C, line 15.

Line 2c. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.: Enter non-unitary income this

State is prohibited from taxing under the constitutions of the United States or the State of Maine. The amount 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.

Line 2d. DIVIDENDS FROM AFFILIATED CORPORATIONS: Enter 50% of all apportionable dividends from affiliated corporations that are not included with the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1.

Line 2e. NET OPERATING LOSS DEDUCTION CARRYFORWARD: If you have a net operating loss for tax years beginning in 1989, 1990, 1991 and 1992 that was carried back for federal purposes but not allowed for Maine, you are allowed a deduction on this line as a net operating loss carry-forward. However, the net operating loss carry-forward cannot reduce Maine Net Income to less than zero.

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. Add back income taxes taken as a deduction on federal Form 1120.

Line 4b. UNRELATED EXPENSES: If the corporation(s) included on this return is (are) part of a group, but filing separately for Maine, any expenses incurred by the corporation(s) on behalf of subsidiaries or other members of a group who are not included on this return must be added back. Attach supporting schedules.

Line 4c. INTEREST ON STATE AND MUNICIPAL BONDS OTHER THAN MAINE: Corporations must add interest on state and municipal bonds that originate outside Maine to their federal taxable income for Maine income tax purposes.

Line 4d. NET OPERATING LOSS RECOVERY ADJUSTMENT: Enter on this line:

(1) the amount of any net operating loss for this taxable year which has or will be carried back to previous taxable years pursuant to Internal Revenue Code, §172, and;

(2) The amount of any net operating loss carryover deduction claimed in this taxable year under Internal Revenue Code, §172, which has previously been used to offset Maine modifications to federal taxable income. 36 M.R.S.A., §5200A, Subsection 1.

Line 6. MAINE TAXABLE INCOME: Corporations that are not part of an affiliated-unitary group and have income solely from business activity within Maine enter on line 6 the same amount as on line 5. Corporations having income from within and outside the state apportion income on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations who are members of an affiliated-unitary group must complete Schedule A. See General Instructions, paragraph 13, page 4 of this booklet and the instructions on Schedule CB.

Line 7a. MAINE CORPORATION INCOME TAX: For tax years beginning in 1996, the Maine corporate tax rate is as follows:

<i>If the Maine Taxable Income is:</i>		<i>The Tax is:</i>	
Not over \$25,000.....		3.5% of Maine Taxable Income	
	<i>But not over</i>		<i>of excess over</i>
\$ 25,000	\$ 75,000.....	\$ 875 plus 7.93%	\$ 25,000
75,000	250,000.....	4,840 plus 8.33%	75,000
250,000	or more.....	19,417 plus 8.93%	250,000

In the case of an affiliated group of corporations subject to Maine tax and engaged in a unitary business, the respective preferential rates shall be applied only to the first \$250,000 of Maine net income of the entire group and shall be divided equally among the taxable corporations unless those taxable corporations jointly elect a different assignment. The balance of the Maine net income of the entire group shall be taxed at 8.93%. Attach a schedule to show income assignment to each corporation.

Line 7b. MINIMUM TAX: Minimum tax is 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, b, c. CREDITS: These lines are for taxpayers who have made estimated tax payments and deposits when requesting an extension of time for filing, as well as for taxpayers filing amended returns and claiming credit for tax paid with original return.

Line 8d. OTHER CREDITS: The amount on this line cannot exceed the tax liability on line 7c of Form 1120ME.

Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX: If the corporation underpaid estimated tax, complete and attach Form 2220ME to the corporate return.

Line 11a. AMOUNT OF LINE 10 YOU WISH CREDITED: Use this block 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 11(a). Refunds of \$1.00 or more will be mailed to you.

SCHEDULE A INSTRUCTIONS

GENERAL INSTRUCTIONS: Schedule A is for corporations engaged in interstate business. Maine employs a three-factor formula to determine the percentage of corporate income which is apportioned to Maine. This percentage is derived by 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 4. If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for, or the Tax Assessor may require, in respect to all or any part of the taxpayer's business activity:

- Separate accounting.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable apportionment of the taxpayer's income.

"Tax period," referred to in 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 such as trade sales, dividends, interest, rents, and royalties.

Those corporations that are members of an affiliated unitary group see further instructions on Schedule CB.

Line 12. SALES FACTOR: The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in the state 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 income-producing activity is performed in this state; or (2) the income-producing activity is performed both in and outside Maine and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

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; or (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 the state and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in Maine.

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.

Property rented by the taxpayer is valued at 8 times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rate received by the taxpayer from subrentals. The average value of the property shall be determined by averaging the values at the beginning and ending of the tax period, but the 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.

Line 16. Enter adjusted federal taxable income from page 1, line 5 of Form 1120ME.

SCHEDULE C

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.

29b. Jobs and Investment Credit: A tax credit for qualifying jobs and investment credit 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 in the 24 month period following the date the property was placed in service. For further details see 36 M.R.S.A. §5215.

29c. Employer Assisted Child Care Tax Credit: A taxpayer constituting an employing unit is allowed a credit for providing or paying day care expenses of employees subject to the limitations of 36 M.R.S.A., §5217. The tax credit is limited to the low-

est of \$5,000, 20% of the cost incurred, or \$100 for each child of an employee of the taxpayer enrolled on a full-time basis. 36 M.R.S.A., §5217.

29d. Employer-Provided Long-Term Care Benefits Credit: A taxpayer constituting an employing unit is allowed a credit against the tax for providing employees with long-term care insurance coverage subject to the limitations of 36 M.R.S.A., §5217-B. The tax credit is limited to the lowest of \$5,000, 20% of the costs incurred, or \$100 for each employee provided long-term care policy.

Any unused credit may be carried over for a period not to exceed 15 years.

29e. Machinery and Equipment Investment Tax Credit: For tax years beginning on or after January 1, 1991, taxpayers can claim a credit equal to 1% of the amount of qualified investments made in the prior 5 taxable years, except in taxable years ending in 1995, the prior 6 taxable years. Qualified investments are investments in manufacturing machinery and equipment made on or after January 1, 1989. Taxpayers are prohibited from considering any current year investment tax credits in the determination of required estimated income tax payments. 36 M.R.S.A., §5219-E. Note: For tax years ending on or after July 1, 1997, machinery and equipment for which property taxes are reimbursed pursuant to 36 M.R.S.A., Chapter 915 are not eligible for the investment tax credit for the taxable year.

29f. Solid Waste Reduction Investment Tax Credit: Taxpayers can claim a credit on solid waste reduction, reuse, or recycling machinery and equipment certified eligible for the credit by the State Planning Office. The credit is the amount certified by the State Planning Office and applies to machinery and equipment placed into service from January 1, 1990 to June 30, 1991 or January 1, 1993 to June 30, 1995. The taxpayer must attach a copy of the eligibility certificate in order to claim the credit. Recapture provisions apply on the early disposal of machinery and equipment for which a credit has been claimed. 36 M.R.S.A., §5219-D (4).

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). Federal taxable income for corporations must be increased by any research expenses used in determining the research expense credit. The credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1996. Note: The statutory requirement to add back taxable income research expenses included in the basis for the research expense tax credit has been repealed.**

29h. Maine Minimum Tax Credit: 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 Schedule D on page 4 of Form 1120ME to calculate your credit.

(NOTE: The total of Schedule C cannot exceed the tax liability on line 7c of Form 1120ME.)

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