



2005

MAINE ESTATE TAX RETURN
FORM 706ME
FOR ESTATES OF DECEDENTS DYING DURING CALENDAR YEAR 2005.



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

STEP 1

ESTATE OF: FIRST NAME M.I. LAST NAME
SOCIAL SECURITY NUMBER (SSN) DATE OF DEATH
DOMICILE AT DATE OF DEATH: STREET ADDRESS MM DD YY
CITY/TOWN STATE ZIP CODE COUNTY
NAME OF PERSONAL REPRESENTATIVE OR PERSON IN POSSESSION OF DECEDENT'S PROPERTY (FIRST, M.I, LAST):
PERSONAL REPRESENTATIVE'S SSN TELEPHONE NO.
PERSONAL REPRESENTATIVE'S MAILING ADDRESS
CITY/TOWN STATE ZIP CODE

STEP 2

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

FIRM NAME
CONTACT PERSON: FIRST M.I. LAST
MAILING ADDRESS
CITY/TOWN STATE ZIP CODE TELEPHONE NO.

STEP 3

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

TAX COMPUTATION

STEP 4

Table with 5 rows for tax computation:
1. Gross value of property taxable by Maine (See Instructions) 100
2. Value of total federal gross estate (Part 2, Line 1, federal Form 706) 200
3. Percent of property taxable by Maine (Line 1 divided by Line 2, expressed as a decimal to six places) 3
4A. Federal taxable estate for federal tax purposes (Part 2, Line 3a, federal Form 706) 4A00
4B. Elected Maine Qualified Terminable Interest Property (QTIP) Not to exceed \$550,000 for 2005 4B00
4C. Maine Elective Property (See Instructions) 4C00
4D. Maine Taxable Estate (Line 4A minus Line 4B plus Line 4C) 4D00
5. Maine Gross Estate Tax (from worksheet, page 4, Line 8) 500

DO NOT STAPLE OR BIND RETURNS



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5.	Maine Gross Estate Tax (From Page 1, Line 5)	5	_____	,	_____	,	_____	,	_____	.00
6.	Death taxes paid to another state (Residents only - attach copy)	6	_____	,	_____	,	_____	,	_____	.00
7.	Maine Adjusted Gross Estate Tax (Line 5 minus Line 6)	7	_____	,	_____	,	_____	,	_____	.00
8.	Maine Estate Tax (See Instructions)	8	_____	,	_____	,	_____	,	_____	.00
9.	Payments: a. Estimated / Extension Payments	9a	_____	,	_____	,	_____	,	_____	.00
	b. Paid with original return (amended returns only)	9b	_____	,	_____	,	_____	,	_____	.00
	c. TOTAL PAYMENTS	9c	_____	,	_____	,	_____	,	_____	.00
10.	Interest	10	_____	,	_____	,	_____	,	_____	.00
11.	Failure-to-file penalty	11	_____	,	_____	,	_____	,	_____	.00
12.	Failure-to-pay penalty	12	_____	,	_____	,	_____	,	_____	.00
13.	Total Due (Line 8 minus Line 9c plus Lines 10, 11 and 12)	13	_____	,	_____	,	_____	,	_____	.00
14.	Refund Due (Line 9c minus Line 8)	14	_____	,	_____	,	_____	,	_____	.00

STEP 5

Filing status of IRS Form 706 for this estate (check one) Not Required (Attach copy of pro forma Form 706)
 Required (Attach copy of federal Form 706)

Whether or not a federal return is required, you may still owe Maine estate tax. See instructions for filing.

Marital Status of Decedent: Married with surviving spouse Spouse's SSN: _____
 Widow / Widower Spouse's SSN: _____
 Single / Divorced

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, including the pro forma federal return if required, and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer is based on all information of which preparer has any knowledge.

Signature of executor or personal representative _____ Date _____
 Signature of preparer other than personal representative _____ Preparer's SSN or PTIN _____ Date _____
 Firm's name (or yours if self-employed) Preparer's address Preparer's phone number

Make check payable to: Treasurer, State of Maine

MAIL TO: MAINE REVENUE SERVICES
 P.O. BOX 1068
 AUGUSTA, ME 04333-1068



Office use only _____

INSTRUCTIONS
2005 MAINE ESTATE TAX RETURN

(36 M.R.S.A. §§ 4061, et seq.)

IMPORTANT CHANGES!

Maine decouples from federal tax. There is no federal state death tax credit for estates of decedents dying after 2004. A pro forma federal state death tax credit amount will be used for purposes of calculating the Maine estate tax. The Worksheet for Line 5 (Maine gross estate tax) is provided on page 4. For 2005 decedents, Maine is using an applicable credit of \$326,300.

Filing requirement. A Maine estate tax return is required to be filed for a 2005 decedent when a federal estate tax return is required to be filed or when the federal gross estate plus adjusted taxable gifts exceeds the Maine-defined exclusion amount (See PL 2005, c. 218, § 43). The Maine exclusion amount for deaths occurring in 2005 is \$950,000.

Maine Qualified Terminable Interest Property ("QTIP"). Beginning with 2005 decedents, an estate may elect to include some or all of the difference between the decedent's federal exclusion amount under IRC§ 2010(c) and the Maine exclusion amount as separate QTIP property for Maine estate tax purposes, thereby decreasing the taxable estate of the first decedent spouse. This election is made by entering the amount of eligible Maine QTIP property on Form 706ME, Line 4B. Upon the death of the surviving spouse, the value of that estate is, for Maine estate tax purposes, increased by the value of the Maine QTIP property (Maine Elective Property) determined at the time of death of the surviving spouse. The amount of eligible Maine QTIP property may not exceed the difference between the federal exclusion amount and the Maine exclusion amount in effect for the year of death (See PL 2005, c. 12, Pt. N, §§1-4).

Property transferred to a pass-through entity. For estates of nonresident decedent's dying on or after January 1, 2005, real and tangible personal property located in Maine and held in a trust, limited liability company or other pass-through entity is treated as though the entity or instrument did not exist. The decedent's interest is taxed in Maine to the extent that such property is included in the decedent's federal gross estate (See PL 2005, c. 12, Pt. M, §§1 & 2).

Alternate valuation date. Maine Revenue Services will allow the personal representative of a taxable Maine estate to elect the alternate valuation date for determining the value of the estate's property. The alternate valuation date is allowed only if it is used for federal estate tax purposes. If there is no federal tax liability, an alternate valuation date may be allowed if federal requirements are met.

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

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

Step 3 Check the appropriate box for the estate's residency status.

Step 4 Tax Computation. **If the total gross estate plus adjusted prior taxable gifts is \$950,000 or less, skip to Step 5.**

Line 1 Maine's portion of total gross estate.
For Maine resident estates: Subtract the value of real and tangible personal property **not** located in Maine from the total gross estate.
For Maine nonresident estates: Include all real and personal property located in Maine and personally owned by the decedent. This includes Maine real and personal property held in trusts, LLCs or other pass-through vehicles (see 36 M.R.S.A § 4064).

Line 2 Enter the total gross estate from federal Form 706, Part 2, Line 1. If no federal estate tax return was required, but the total gross estate, including adjusted prior taxable gifts (federal Form 706, Part 2, Line 4) is greater than \$950,000, complete a pro forma federal Form 706.

Line 3 Divide Line 1 by Line 2 to determine the Maine percentage of the estate. Calculate to six decimal places.

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

Line 4B Beginning with deaths occurring in 2005, **for decedents with surviving spouses**, Maine allows a separate estate tax deduction for assets that are Qualified Terminable Interest Property (QTIP) under IRC Section 2056(b)(7), regardless of whether a QTIP election is made for federal estate tax purposes. The completion of Line 4B with an amount greater than zero will constitute a QTIP election for eligible Maine QTIP property by the executor or personal representative. The maximum allowable QTIP deduction on Line 4B is the difference between the decedent's federal exclusion amount (or, if no federal return is required, the pro forma federal taxable estate) and the Maine exclusion amount, but in no event may the Maine QTIP deduction exceed \$550,000 for 2005. If the deduction on Line 4B is a portion of a trust included in the federal gross estate, the executor or personal representative shall be considered to have made an election only as to a fraction of the trust (or other property). The numerator of this fraction is equal to the amount of the trust (or other property) deducted on Line 4B, and the denominator is equal to the total value of the trust (or other property) at the time of death of the deducting decedent (first to die). See www.maine.gov/revenue/incomeestate for more information. Attach a description of the QTIP property.

Line 4C If the surviving spouse of a 2005 decedent also dies in 2005 and the first decedent's estate claimed a Maine QTIP deduction on line 4B, the surviving spouse's estate must include the current Maine QTIP property value (MAINE ELECTIVE PROPERTY) on this line.

Line 5 To calculate the amount for this line, use the worksheet on page 4.

NOTE: Even if you were not required to file a federal return, you may still be liable for Maine tax if the total gross estate plus adjusted taxable gifts is greater than \$950,000. If you were not required to file a federal return and the total gross estate plus adjusted taxable gifts is \$950,000 or less, there is no Maine estate tax liability.

Line 6 For Maine resident estates: Enter the amount paid to other states for death taxes and attach copies of those state's returns and documentation of payment.

For Maine nonresident estates: Enter zero (0).

Line 8 For Maine resident estates: Multiply Line 5 by the percentage on Line 3, and enter that amount or the amount on Line 7, whichever is greater.

For Maine nonresident estates: Multiply Line 5 by the percentage on Line 3 and enter the result.

Line 9a Enter the total amount of Maine estimated / extension payments made for this estate.

Line 9b Enter the amount of Maine estate tax paid with the original return. Fill in this line only when filing an amended Maine estate tax return.

Lines 10 - 12 Interest and penalties may apply if the return is filed, or the tax is paid, after the due date. Contact the Income/Estate Tax Division, Maine Revenue Services, for specific information necessary to complete these lines. Telephone 207-626-8480. As of January 1, 2005, interest is charged at the rate of 8% per year, compounded monthly.

a. Late filing and late payment penalties. If a past due return is filed before the receipt or within 30 days of the receipt of a demand notice, the penalty for failure to file is the greater of \$25 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the

failure-to-file penalty is 100% of the tax due. For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

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

Line 13 Enter the total due with this return. Make check payable to Treasurer, State of Maine and send to the address shown on page 2 of the form. Please write the decedent's name, social security number and "Form 706ME" on the check to ensure proper credit.

Line 14 Enter the total refund due with this return. Allow 4-6 weeks to process the refund.

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

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

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

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

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

WORKSHEET FOR CALCULATING LINE 5

<p>1) Enter amount from Form 706ME, Line 4D. \$ _____</p> <p>2) Less \$ <u>60,000</u></p> <p>3) Adjusted taxable estate (Line 1 minus Line 2) If zero or less, enter zero \$ _____</p> <p>4) Using amount on Line 3 and applying Table A below, determine the amount to enter \$ _____</p> <p>5) Gross Federal Estate Tax* (federal Form 706, Part 2, Line 8: calculated as if zero deduction on Line 3b) \$ _____</p>	<p>6) Applicable Credit for 2005 \$ <u>326,300</u></p> <p>7) Line 5 minus Line 6 \$ _____</p> <p>8) Maine Gross Estate Tax (Line 4 or Line 7, whichever is less). Also, enter on Maine Form 706ME, Line 5. \$ _____</p> <p>* NOTE: If the estate contains Maine QTIP or Maine elective property, calculate the amount for line 5 of the worksheet above by reducing the federal taxable estate by the amount of the Maine QTIP and increasing the federal taxable estate by the amount of Maine elective property. See "Important Changes" on page 3 and instructions for Form 706ME, lines 4B and 4C for a more detailed description of Maine QTIP and Maine elective property.</p>
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Table A

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