



2008

MAINE ESTATE TAX RETURN FORM 706ME

FOR ESTATES OF DECEDENTS DYING DURING CALENDAR YEAR 2008.



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

STEP 1

Form fields for Step 1: Estate of: First Name, M.I., Last Name; Social Security Number (SSN); Date of Death (MM-DD-YY); Domicile at Date of Death: Street Address; City/Town, State, ZIP Code, County; Name of Personal Representative or Person In Possession of Decedent's Property (First Name, M.I., Last Name); Personal Representative's SSN, Telephone Number, Fax Number; Personal Representative's Mailing Address; City/Town, State, ZIP Code, Email address (If filled in, permission is granted to send information via email)

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.

STEP 2

Form fields for Step 2: Firm Name; First Name, M.I., Last Name; Mailing Address; City/Town, State, ZIP Code, Telephone Number; Email address (If filled in, permission is granted to send information via email); Fax Number

STEP 3

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

TAX COMPUTATION Note: If this estate contains Maine elective property, Worksheet 706C (available at www.maine.gov/revenue/forms) must be completed to accurately determine tax liability.

STEP 4

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

DO NOT STAPLE OR BIND RETURNS



0810001

DO NOT STAPLE OR BIND RETURNS

STEP 4

- 5. Maine Gross Estate Tax (from page 1, line 5) 5. , , , .00
- 6. Maine Estate Tax (line 5 multiplied by the percentage on line 3) 6. , , , .00
- 7. Credit for estate tax paid to other jurisdictions by resident estates
(from Worksheet D, line 7)..... 7. , , , .00
- 8. Payments: a. Estimated/Extension Payments 8a. , , , .00
 - b. Paid with original return (amended returns only) 8b. , , , .00
 - c. TOTAL PAYMENTS..... 8c. , , , .00
- 9. Interest 9. , , , .00
- 10. Failure-to-file penalty and failure-to-pay penalty 10. , , , .00
- 11. Total Due (line 6 minus lines 7 and 8c, plus lines 9 and 10) 11. , , , .00
- 12. Refund Due (line 7 plus line 8c minus line 6)..... 12. , , , .00

STEP 5

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

- 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)

Marital Status of Decedent: Married with surviving spouse } Spouse's SSN: - -

Widow / Widower

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 - *Required* _____ 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 04332-1068

Office use only - -

INSTRUCTIONS FOR 2008 MAINE ESTATE TAX RETURN (36 M.R.S.A. §§ 4061 - 4079)

www.maine.gov/revenue/incomeestate/estate

Note: If this estate contains Maine elective property (see line 4E instructions), Worksheet 706C must be included with this return. Worksheet 706C contains the calculations necessary to determine the correct amounts for the lines on this form. Worksheet 706C can be downloaded from the web site address at the top of this page.

Step 1 Enter all required information. Failure to fully complete Step 1 will delay 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 or be listed as a personal representative on the single return that is filed for the estate. A personal representative can also be known as an executor or any other individual legally responsible for administration of the estate. If there is more than one personal representative, fill in the information for one personal representative and attach a schedule listing all personal representatives. A personal representative who is a nonresident of Maine may have to file a Maine income tax return for any estate fees earned in Maine. For more information, see Maine Rule 806 and the instructions for Form 1040ME, Schedule NR at www.maine.gov/revenue.

Step 2 This step 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 a paid preparer completed the return, that preparer must also sign the return on page 2.

Step 3 Check the appropriate box for the decedent's residency status. For additional information concerning residency status, visit www.maine.gov/revenue/incomeestate/guidance and review "Guidance to Residency Status."

Step 4 Tax Computation. **If the total gross estate plus adjusted taxable gifts is \$2,000,000 or less, complete this section based on a pro forma federal return.** If the federal gross estate plus taxable gifts plus Maine elective property (line 4C) is greater than \$1,000,000, the estate is taxable to Maine and a completed Form 706ME must be submitted. If the federal gross estate plus taxable gifts plus Maine elective property (line 4C) is less than \$1,000,000, you may file a Form 706ME-EZ to request a discharge of the automatic property lien provided under 36 MRSA section 4072. **If this estate contains Maine elective property, Worksheet 706C must be included with the estate tax return.** Worksheet 706C is available at the web site address shown at the top of this page.

Line 1 Property taxable by Maine. If the decedent had a predeceased spouse whose estate contained a Maine qualified terminable interest property ("MEQTIP") designation, this estate will generally contain Maine elective property. If this is the case, enter on this line the amount from Worksheet 706C, line 6. Enclose the worksheet with the return. If the estate does not contain Maine elective property, follow the instructions below:

For **Maine resident estates**: Enter the federal gross estate from federal Form 706, Part 2, line 1, less the value of real and tangible personal property located outside of Maine.

For **Maine nonresident estates**: Enter the value, included in the federal gross estate, of all real and tangible personal property located in Maine and personally owned by the decedent. This includes Maine real and tangible personal property transferred to trusts, LLCs or other pass-through entities.

For more information, see the guidance document **Maine Estate Tax Valuation and Filing Basics**, online at: www.maine.gov/revenue/incomeestate/guidance

Line 2 If the estate contains Maine elective property, enter the amount from Worksheet 706C, line 5. Otherwise, enter the amount from federal Form 706, Part 2, line 1. If no federal estate tax return is required, but the total gross estate plus **adjusted taxable gifts** (pro forma federal Form 706, Part 2, line 4) plus **Maine elective property** is greater than \$1,000,000, you must complete Form

706ME and a pro forma federal Form 706.

Line 4A Enter the amount of the federal tentative taxable estate from actual or pro forma federal Form 706, Part 2, line 3a.

Line 4B Enter the amount from federal Form 706, Part 2, line 4. This line is not used to calculate the Maine estate tax.

Line 4C Enter the sum of lines 2 and 4B. If the amount is greater than \$1,000,000, the estate may be taxable to Maine and a completed Form 706ME must be submitted. If less than \$1,000,000, you may file Form 706ME-EZ. **If this estate contains Maine elective property, Worksheet 706C must be included with this return.** This line is not used to calculate the Maine estate tax.

Line 4D **Maine QTIP ("MEQTIP").** For decedents with surviving spouses, Maine allows an estate tax deduction for assets that are eligible for the qualified terminable interest property ("QTIP") election under IRC section 2056(b)(7), when a QTIP election is not made on that property for federal estate tax purposes. The completion of line 4D with an amount greater than zero constitutes a MEQTIP election for eligible property by the executor or personal representative. The maximum allowable MEQTIP deduction on line 4D is the difference between the decedent's federal exclusion amount and the Maine exclusion amount, but in no event may the MEQTIP deduction exceed \$1,000,000 for 2008. If the deduction on line 4D is a portion of a trust included in the federal taxable estate, the executor or personal representative is considered to have made an election only as to a fraction of the trust (or other property). The numerator of this fraction is equal to the amount of the trust (or other property) deducted on line 4D, and the denominator is equal to the total value of the trust (or other property) at the time of death of the deducting decedent (first decedent spouse). Visit the web site address at the top of this page for more information. Attach a description of the MEQTIP property. MEQTIP property cannot consist of items that were included as taxable gifts on the federal return. The MEQTIP election defers taxation of the value of that election to the death of the decedent's spouse (second decedent spouse). The Maine estate tax return for the second decedent spouse must include the remaining value of the MEQTIP election, which is referred to as Maine elective property (see line 4E).

Line 4E **Maine Elective Property.** If the estate contains Maine elective property, Form 706ME must be filed. Enter the amount from Worksheet 706C, line 3. If the decedent on this return had a predeceased spouse who claimed a MEQTIP deduction on their Maine estate tax return (see line 4D), the second decedent spouse's estate tax return must include the current value of any remaining MEQTIP property on this line. This amount is called Maine elective property. All holdings, including cash, securities, as well as real estate and tangible personal property, that constitute Maine elective property must be included on this line. **If this estate contains Maine elective property, Worksheet 706C must be included with this return.**

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

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

Line 7 Enter the amount from line 7 of Worksheet D for the credit for taxes paid to other jurisdictions on real or personal property located in another state and held in a pass-through entity.

Line 8a Enter the total amount of Maine estimated and extension payments made for this estate.

Line 8b 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 9 - 10 Interest and penalties may apply if the return is filed, or

DO NOT STAPLE OR BIND RETURNS

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

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.

the tax is paid, after the due date. Contact the Income/Estate Tax Division, Maine Revenue Services, for specific information necessary to complete these lines. Telephone 207-626-8480. The annual interest rate for 2008 is 12%, 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, willful understatement of liability by a preparer and for payment of tax by check that is returned for insufficient funds.

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.

Amended returns. Amended Maine estate tax returns must be filed within 90 days of receipt of property, entitlement to property, or change by the Internal Revenue Service that increases the Maine estate tax liability. The requirement applies to receipts, entitlements and changes occurring after the assessor's determination of the estate tax due with respect to the original Maine estate tax return.

Final federal determination. If a final federal determination has occurred, the assessor can make a separate determination regarding an estate tax issue. The assessor's determination must be made within the later of two years from the due date, or two years from the filing date, of a return. Applies to estates of deaths occurring on or after July 1, 2008, but before January 1, 2010.

Audit adjustments. MRS is required to notify the IRS of any audit adjustments that affect the federal liability of the estate.

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

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

Step 5 Check the appropriate box.

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

WORKSHEET FOR CALCULATING LINE 5

1) Maine taxable estate (page 1, line 4F)	\$ _____	5) Gross Federal Estate Tax* (federal Form 706, Part 2, line 8, actual or pro forma, [calculated as if zero deduction on line 3b])	\$ _____
2) Less	\$ <u>60,000</u>	6) Applicable Credit for 2008	\$ <u>345,800</u>
3) Adjusted taxable estate (line 1 minus line 2). If zero or less, enter zero	\$ _____	7) Line 5 minus line 6 (if zero or less, enter zero)	\$ _____
4) Using amount on line 3 and applying Table A below, determine the amount to enter	\$ _____	8) Maine Gross Estate Tax (line 4 or line 7, whichever is less). Also, enter on page 1, line 5	\$ _____

* **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 plus prior taxable gifts (federal Form 706, Part 2, line 5) by the amount of the Maine QTIP and increasing the federal taxable estate by the amount of Maine elective property. This tax amount is then reduced by gift tax paid/payable on federal Form 706, line 7.

Table A

(1)		(2)	(3)	(4)
If worksheet, Line 3 is		Subtract the	Multiply	Add
at least:	BUT less than:	following amount from	Result by:	and enter result
		worksheet, Line 3:		on worksheet, Line 4:
0	\$40,000	0	0	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

DO NOT STAPLE OR BIND RETURNS