



2009

MAINE ESTATE TAX RETURN FORM 706ME

FOR ESTATES OF DECEDENTS DYING DURING CALENDAR YEAR 2009.



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, MRS is granted permission to send information via email)

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

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, MRS is granted permission to send information via email); Fax Number

Form fields for Step 3: Decedent's Maine Residency Status (check one) [] Resident [] Nonresident

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

Tax computation table with rows 1 through 4G. Includes descriptions like 'Modified Maine taxable property', 'Maine gross estate', 'Percentage of property taxable by Maine', 'Maine tentative taxable estate', 'Modified federal adjusted taxable gifts', 'Add lines 2 and 4B. If sum exceeds \$1,000,000, see instructions', 'Taxable gifts completed within one year of the date of death', 'Elected Qualified Terminable Interest Property (QTIP) Not to exceed \$2,500,000 for 2009 and may not consist of prior taxable gifts', 'Maine elective property', and 'Maine taxable estate'. Each row has a numerical label and a value field ending in .00.

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INSTRUCTIONS FOR 2009 MAINE ESTATE TAX RETURN (36 MRSA §§ 4061 - 4079)

www.maine.gov/revenue/incomeestate/estate

New for 2009: The base for Maine estate tax now includes taxable gifts made up to one year prior to the date of death. Please attach copies of federal Form(s) 709 to this return. Also, to facilitate timely, efficient processing of the Maine estate tax return, a copy of the decedent's 2008 federal income tax return must be attached.

Note: **If this estate contains Maine elective property (see line 4F instructions), or taxable gifts made within one year of death (see line 4D 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 \$3,500,000 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 Modified Maine taxable property. This amount includes federal taxable gifts made within one year of death that are taxable to 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 the federal Form 706 includes an amount on line 4, this estate may contain gifts that are taxable to Maine. If either is the case (Maine elective property or taxable gifts made within a year of death), enter on this line the amount from Worksheet 706C, line 9. Enclose the worksheet with the return. If the estate does not contain Maine elective property or prior taxable gifts, 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 Maine gross estate. This line must include the amount of the taxable gifts that were completed within one year of the date of death of the decedent. If the estate contains Maine elective property and/or prior taxable gifts, enter the amount from Worksheet 706C, line 8. 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 (see line 4C), you must complete Form 706ME and a pro forma federal Form 706.

Line 4A Maine tentative taxable estate. If the decedent made taxable gifts, or if the estate contains Maine elective property, enter the amount of the federal tentative taxable estate plus all taxable gifts made within one year of death from Worksheet 706C, line 11. Otherwise, enter the amount from federal Form 706, Part 2, line 3a.

Line 4B Modified federal adjusted taxable gifts. If the decedent made taxable gifts, enter the amount from worksheet 706C, line 12. This line equals the value of taxable gifts included (or includible) on the federal return less the value of taxable gifts made within one year of death. This line is not used to calculate the Maine estate tax. If the decedent made no taxable gifts, enter zero (0).

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 no more than \$1,000,000, you may file Form 706ME-EZ. **If this estate contains Maine elective property, or if the decedent had made taxable gifts, a completed Worksheet 706C must be included with this return.** This line is not used to calculate the Maine estate tax.

Line 4D Taxable gifts completed within one year of the date of death. Enter the amount from Worksheet 706C, line 6. If the decedent made no taxable gifts enter zero (0).

Line 4E Elected Maine Qualified Terminable Interest Property. 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 4E 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 4E is the difference between the decedent's federal exclusion amount and the Maine exclusion amount, but in no event may the MEQTIP deduction exceed \$2,500,000 for 2009. If the deduction on line 4E 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 4E, 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 4F).

Line 4F **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 4E), 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

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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.

Maine elective property must be included on this line. **If this estate contains Maine elective property, Worksheet 706C must be included with this return.**

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 4G Maine taxable estate. Line 4A minus line 4E plus line 4F.

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

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

Line 7 Credit for estate tax paid to other jurisdictions. 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 9a Estimated/extension payments. Enter the total amount of Maine estimated and extension payments made for this estate.

Line 9b Paid with original return. 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 - 11 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. The annual interest rate for 2009 is 8%, 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.

Line 12 Enter the total due with this return. Make check payable to Treasurer.

Line 13 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.

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.

Attach a copy of the decedent's 2008 federal income tax return. Also 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.

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. For estates of deaths occurring on or after July 1, 2008, but before July 1, 2009, 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 the return. For estates of deaths occurring on or after July 1, 2009, the assessor's determination must be made within one year from the filing date of the return.

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

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WORKSHEET FOR CALCULATING LINE 5

1) Maine taxable estate (page 1, line 4G). \$ _____
 2) Less..... \$ **60,000**
 3) Adjusted taxable estate (line 1 minus line 2). If zero or less, enter zero..... \$ _____
 4) Using amount on line 3 and applying Table A below, determine the amount to enter..... \$ _____

5) Gross Federal Estate Tax* (federal Form 706, Part 2, line 8, actual or pro forma, [calculated as if zero deduction on line 3b])..... \$ _____
 6) Applicable Credit for 2009..... \$ **345,800**
 7) Line 5 minus line 6 (if zero or less, enter zero)..... \$ _____
 8) Maine Gross Estate Tax (line 4 or line 7, whichever is less). Also, enter on page 2 \$ _____

* **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 following amount from worksheet, Line 3:	Multiply Result by:	and enter result on worksheet, Line 4:	
at least:	BUT	less than:				
0		\$40,000	0	0	0	0
\$40,000		90,000	\$40,000	0.8%	0	0
90,000		140,000	90,000	1.6%	\$400	\$400
140,000		240,000	140,000	2.4%	1,200	1,200
240,000		440,000	240,000	3.2%	3,600	3,600
440,000		640,000	440,000	4.0%	10,000	10,000
640,000		840,000	640,000	4.8%	18,000	18,000
840,000	1,040,000	840,000	840,000	5.6%	27,600	27,600
1,040,000	1,540,000	1,540,000	1,040,000	6.4%	38,800	38,800
1,540,000	2,040,000	2,040,000	1,540,000	7.2%	70,800	70,800
2,040,000	2,540,000	2,540,000	2,040,000	8.0%	106,800	106,800
2,540,000	3,040,000	3,040,000	2,540,000	8.8%	146,800	146,800
3,040,000	3,540,000	3,540,000	3,040,000	9.6%	190,800	190,800
3,540,000	4,040,000	4,040,000	3,540,000	10.4%	238,800	238,800
4,040,000	5,040,000	5,040,000	4,040,000	11.2%	290,800	290,800
5,040,000	6,040,000	6,040,000	5,040,000	12.0%	402,800	402,800
6,040,000	7,040,000	7,040,000	6,040,000	12.8%	522,800	522,800
7,040,000	8,040,000	8,040,000	7,040,000	13.6%	650,800	650,800
8,040,000	9,040,000	9,040,000	8,040,000	14.4%	786,800	786,800
9,040,000	10,040,000	10,040,000	9,040,000	15.2%	930,800	930,800
10,040,000	-----	-----	10,040,000	16.0%	1,082,800	1,082,800