

2004 MAINE MINIMUM TAX WORKSHEET

Use this Worksheet to complete:
Form 1041ME, Schedule A, Line 2

Enclose a copy of your 2004 federal Form 1041, Schedule I



0409102

Name of Estate/Trust (as shown on Form 1041ME)	Estate/Trust EIN _____ - _____
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Do you owe a Maine Minimum Tax? The following estates/trusts must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax: **1)** Estates/Trusts that have a federal alternative minimum taxable income on federal Form 1041, Schedule I; and, **2)** Estates/Trusts that do not have a federal alternative minimum taxable income on federal Form 1041, Schedule I but do have Maine addition income modifications (see Maine Minimum Tax Worksheet for Line 2, lines 1a through 1f), the total of which is greater than the Maine minimum tax exemption amount (see line 4 below).

If you exceed these thresholds, you must file a Maine Minimum Tax Worksheet. See instructions and supporting Worksheets.

1. Federal alternative minimum taxable income (Federal Form 1041, Schedule I, line 29) 1. _____
2. Modifications (May be a positive or negative number) - **See instructions** 2. _____
3. Maine tentative alternative minimum taxable income (add or subtract line 2 to or from line 1). If zero or less, enter zero 3. _____
4. **Exemption.** Enter amount from 2004 federal Form 1041, Schedule I, line 29 or line 50, whichever applies. 4. _____
5. Subtract line 4 from line 3. If zero or less, enter zero 5. _____
6. **Nonresident** apportionment factor (Maine estates & trusts enter 100%) - **See instructions** 6. _____ %
7. Maine alternative minimum taxable income (multiply line 5 by line 6). Enter result here 7. _____
8. Tentative minimum tax. **See instructions** 8. _____
9. Maine income tax (Form 1041ME, line 4) 9. _____
10. Alternative minimum tax (Subtract line 9 from line 8) 10. _____
11. Credit against the Maine minimum tax for minimum tax paid to other jurisdictions (For Maine estates/trusts only).
Enter line E from Worksheet below. 11. _____
12. Maine Minimum Tax (subtract line 11 from line 10 – if zero or less, enter zero. Enter result on 1041ME, Schedule A, line 2a) .. 12. _____

(Worksheet for line 11 above – **Maine estates/trusts only: Credit Against the Maine Minimum Tax** for tax paid to other taxing jurisdictions)

- A. Taxpayer's Maine tentative alternative minimum taxable income (Line 3 above) A. _____
- B. Amount of line A derived from other jurisdiction B. _____
- C. Percentage of income taxed by other jurisdiction (Divide line B by line A) C. _____ %
- D. Limitation of credit:
 1. Maine alternative minimum tax (Line 10 above) multiplied by percent on line C D(1). _____
 2. Minimum tax paid other jurisdiction on income taxed under the Maine minimum tax D(2). _____
- E. Allowable credit, the lesser of lines D(1) or D(2). Enter here and on line 11 above E. _____

2004 MAINE MINIMUM TAX CREDIT AND CARRYFORWARD TO 2005 Worksheet for 1041ME, Schedule A, Line 11

Enclose a copy of 2004 federal Form 8801

13. Enter the amount from line 14 of the 2003 Maine Minimum Tax Worksheet 13. _____
14. Minimum tax credit carryforward from 2003 (2003 Maine Minimum Tax Worksheet, line 23) 14. _____
15. Enter 2003 net state minimum tax on federal exclusion items – From worksheet at www.maine.gov/revenue 15. _____
16. 2003 adjusted net state minimum tax (Line 13 plus line 14 minus line 15 – if zero or less, enter zero) 16. _____
17. Enter 2004 Maine income tax liability (2004 Form 1041ME, line 6 excluding minimum tax and minimum tax credit) 17. _____
18. Enter 2004 Maine tentative minimum tax (Line 8 above) 18. _____
19. Subtract line 18 from line 17 (If zero or less, enter zero) 19. _____
20. **Maine minimum tax credit:** Enter the lesser of line 16 or line 19 here and on Form 1041ME, Schedule A, line 11 20. _____
21. **Maine minimum tax credit carryforward to 2005** (Subtract line 20 from line 16) 21. _____

NOTE: If you have a Maine minimum tax credit carryforward to 2005, keep a copy of the worksheet to submit with your 2005 Maine trust or estate income tax return.

Maine Minimum Tax — Income Modification Worksheet for Line 2

Federal Alternative Minimum Taxable Income ("FAMTI") (from federal Form 1041, Schedule I, line 29):

1. ADDITIONS to federal alternative minimum taxable income.

- a. Income from municipal and state bonds, other than Maine to the extent not included in FAMTI above **1a** _____
- b. Net Operating Loss Recovery Adjustment (See instructions. Attach a schedule showing your calculation) **1b** _____
- c. Maine State Retirement Contributions **1c** _____
- d. Fiduciary Adjustment - additions only (See instructions. Attach a copy of your federal Schedule K-1) **1d** _____
- e. Bonus Depreciation and Section 179 Add-back to the extent deducted in arriving at FAMTI (See instructions) ... **1e** _____
- f. Other (See instructions). List the type and amount of income items included (attach a separate schedule, if necessary) **1f** _____
- g Total additions** (Add lines 1a through 1f) **1g** _____

2. SUBTRACTIONS from federal alternative minimum taxable income.

- a. U.S. Government Bond interest included in FAMTI above **2a** _____
- b. Social Security and Railroad Retirement Benefits included in FAMTI above **2b** _____
- c. Interest from Maine Municipal General Obligation & Private Activity Bonds included in FAMTI (See federal Form 6251, line 11) **2c** _____
- d. Maine State Retirement System Pick-Up Contributions paid to the taxpayer during 2004 which have been previously taxed by the state **2d** _____
- e. Federal Work Opportunity Credit/Federal Empowerment Zone Credit **2e** _____
- f. Bonus Depreciation and IRC § 179 Recapture (See instructions) **2f** _____
- g. Other. List (See instructions) (**Nonresident Estates or Trusts** - Do not enter non-Maine income) **2g** _____
- h Total Subtractions** (Add lines 2a through 2g) **2h** _____

3. Net Modification (Subtract line 2h from line 1g — enter here and on Minimum Tax Worksheet, line 2 [May be a negative amount]) **3** _____

Maine Minimum Tax — Exclusion Items Worksheet for Line 15

Complete the following worksheet to compute the Maine minimum tax on exclusion items, line 15:

- a. Federal tentative minimum tax on exclusion items (From 2004 federal Form 8801, line 13) **a.** _____
- b. Add: federal alternative minimum tax foreign tax credit on exclusion items (From federal Form 8801, line 12) **b.** _____
- c. Modifications - Add: an amount equal to the federal alternative minimum tax on exclusion items relating to income subject to Maine income tax that is not subject to federal income tax (see Form 1041ME, Schedule 1, line 1).
Subtract: portion of federal tentative minimum tax on exclusion items attributable to income that state or federal law prohibits from taxation (see Form 1041ME, Schedule 1, line 2) **c.** _____
- d. Adjusted federal tentative minimum tax on exclusion items (Combine lines a, b, and c) **d.** _____
- e. **Nonresident** and **part-year** resident apportionment factor (Maine residents enter 100%)* **e.** _____ %
- f. Multiply line d by line e, enter result here **f.** _____
- g. Rate **g.** 27 %
- h. State minimum tax on exclusion items (Multiply line f by line g) **h.** _____
- i. 2003 Maine income tax (2003 Form 1041ME, line 4) **i.** _____
- j. Net state minimum tax on exclusion items (Subtract line i from line h) **j.** _____
- k. Credit against the Maine minimum tax on exclusion items for minimum tax paid to other taxing jurisdictions on exclusion items (For Maine estates/trusts only). Enter line E from worksheet below **k.** _____
- l. 2003 Maine minimum tax on exclusion items (Subtract line k from line j – if zero or less, enter zero. Enter the result here and on line 15 of the Maine Minimum Tax Worksheet) **l.** _____

***Nonresident estate/trust apportionment factor** (line e above) – The factor is the amount of the taxpayer’s Maine-source income associated with the adjusted federal tentative minimum tax on exclusion items **divided** by the total income associated with the adjusted federal tentative minimum tax on exclusion items.

Worksheet for line k above – Maine estates/trusts only

- A.** Taxpayer’s total income associated with adjusted federal tentative minimum tax on exclusion items **A.** _____
- B.** Taxpayer’s income associated with adjusted federal tentative minimum tax on exclusion items derived from other jurisdiction **B.** _____
- C.** Percentage of income taxed by other jurisdiction (Divide line B by line A) **C.** _____ %
- D.** Limitation of Credit:
 - 1.** Net state minimum tax on exclusion items from line j above
\$ _____ multiplied by _____ % on line C **D1.** _____
 - 2.** Minimum tax on exclusion items paid other jurisdiction on income taxed under the Maine minimum tax **D2.** _____
- E.** Allowable credit, the smaller of line D(1) or D(2). Enter here and on line k above **E.** _____

MAINE MINIMUM TAX WORKSHEET INSTRUCTIONS

Do you owe a Maine Minimum Tax?

The following estates/trusts must complete the Maine Minimum Tax Worksheet to determine whether they owe a Maine minimum tax:

- Estates/Trusts that have a federal alternative minimum taxable income on federal Form 1041, Schedule I, line 29;
- Estates/Trusts that do not have a federal alternative minimum taxable income on federal Form 1041, Schedule I, line 29, but do have Maine addition income modifications (see Maine Minimum Tax Worksheet for Line 2, lines 1a through 1f), the total of which is greater than the minimum tax exemption amount on federal Form 1041, Schedule I, line 50 (\$22,500 reduced by 25% of federal alternative minimum taxable income that exceeds \$75,000).

If you exceed these thresholds, you must complete a Maine Minimum Tax Worksheet to determine whether you owe Maine minimum tax. See instructions and supporting Worksheets on page 2 or call (207) 626-8475 to order.

Line 2. The income modifications that apply to the Maine regular tax also apply to the Maine minimum tax. See Worksheet for Line 2 and related instructions for a description of the Maine income modifications. **The amount you enter on line 2 may be either a positive or negative number.**

Line 6. The **nonresident apportionment factor** is the amount of the taxpayer's *Maine-source* income included on line 5 **divided** by the *total* income on line 5.

Line 8. Use the following tables to calculate the Maine tentative minimum tax.

<i>If line 7 is:</i>	<i>The Tax is:</i>
Not more than \$175,000	7.0% of the adjusted Maine alternative minimum taxable income
Greater than \$175,000	\$12,250 plus 7.6% of the excess over \$175,000

MAINE MINIMUM TAX INSTRUCTIONS — Income Modification Worksheet for Line 2

Line 1. ADDITIONS to federal alternative minimum taxable income. *Also include the taxpayer's distributive share of addition modification items from partnerships and S Corporations.*

Line 1a. Income from municipal and state bonds, other than Maine. Generally, this is the amount from Maine Form 1041, Schedule 1, line 1a. Enter income from municipal and state bonds and private activity bonds, other than Maine, that is not included in your federal alternative minimum taxable income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds.

Line 1b. Net Operating Loss Recovery Adjustment. Enter on this line any federal alternative minimum tax net operating loss carried to the tax year that has been previously used to offset the modifications under the Maine minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications. See example at right.

Line 1c. Maine State Retirement Contributions. Enter on this line the amount of your 2004 Maine State Retirement Contributions from Maine Schedule 1, line 1c. To calculate this amount, subtract your federal wages from your state wages appearing on your 2004 State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

Line 1d. Fiduciary Adjustment - additions only. If applicable, enter your share of the fiduciary adjustment (36 M.R.S.A. § 5122(3)). Generally, this is the amount from Maine Schedule 1, line 1d. You must attach a copy of your federal Schedule K-1 to verify your share of income.

Line 1e. Bonus Depreciation/Section 179 Expense Add-back. Federal alternative minimum taxable income must be increased by the net effect of the following amounts reflected in federal alternative minimum taxable income: **1)** 30% bonus depreciation deduction claimed in accordance with Section 101 of the federal Jobs Creation and Worker Assistance Act of 2002, Public Law 107-147; **2)** 50% bonus depreciation

The following example illustrates the NOL Recovery Adjustment:

Corresponding Line on Maine AMT Worksheet:	NOL Year 2004	Carryforward Years 2005	2006
Federal alternative minimum taxable income prior to NOL deduction	- 60,000	35,000	25,000
		- 35,000	- 25,000
1. FAMTI after NOL deduction	- 60,000	0	0
2. ADDITION Modification 5122(1)(E)			<u>10,000</u>
Addition Modifications:			
2. Other	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>
3. Maine Adjusted Gross Income	-50,000	10,000	18,000

The original \$60,000 loss in 2004, all of which is carried forward for federal purposes, is allowed to offset Maine addition modifications in 2004. The amount of the federal NOL carryforward must, therefore, be reduced by the amount used in the loss year to offset addition modifications. In this example, \$10,000 of the federal NOL carryforward was used to offset Maine addition modifications in the year of the loss. Thus, the federal NOL carryforward is, for Maine purposes,

deduction claimed in accordance with Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27; and, **3)** increase in section 179 expense due to 2003 federal law changes in Section 202 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 (the deduction limit increase from \$25,000 to \$100,000; the phase-out threshold increase from \$200,000 to \$400,000; and certain off-the-shelf computer software includable as eligible property for purposes of the section 179 deduction). The amount of this modification is determined by first recalculating the depreciation deduction and section 179 expense on federal Form 4562 exclusive of all bonus depreciation and section 179 expense increases listed above. **(NOTE: Do**

not capitalize section 179 deduction amounts disallowed for Maine purposes.) Enter on line 1e the difference between this recalculated depreciation/section 179 expense amount and the original depreciation/section 179 expense claimed for federal income tax purposes. Enclose both the actual and pro forma versions of federal Form 4562 with your Maine return.

Line 1f. Other. Enter on this line • the amount of loss, deductions, and other expenses of a financial institution subject to the Maine franchise tax included in federal alternative minimum taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner • income taxes imposed by Maine or other states and interest or expenses incurred in the production of income exempt from Maine taxation deducted in arriving at federal alternative minimum taxable income • amounts claimed as a business expense for federal alternative minimum tax purposes that are included in the investment base for the high-technology investment tax credit • the amount deducted at the federal level for qualified tuition and other educational expenses under IRC § 222 • income received from the National Health Service Corps Scholarship Program and Armed Forces Health Professions Scholarship and Financial Assistance program if the income is not included in federal alternative minimum taxable income • student loan interest deducted in arriving at federal alternative minimum taxable income if related to interest that was paid more than 60 months from the beginning of the repayment period • contributions to Health Savings Accounts (HSAs), either by employer or trust. Generally, the amount entered on this line is equal to Maine Schedule 1, line 1f.

Line 2. SUBTRACTIONS from federal alternative minimum taxable income. **NOTE: You may only subtract the items listed below on this schedule.** *Also include the taxpayer's distributive share of subtraction modifications from partnerships and S Corporations.*

Line 2a. U.S. Government Bond Interest. Enter income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds, U.S. Treasury bills and notes. Include on this line only the amount of interest included in your federal alternative minimum taxable income.

Line 2b. Social Security and Railroad Retirement Benefits included in federal alternative minimum taxable income. Social Security benefits issued by the U. S. Government and Railroad Retirement benefits (Tier 1 and Tier 2) issued by the U.S. Railroad Retirement Board are not taxed by the State of Maine. Also, unemployment and sick benefits issued by the U. S. Railroad Retirement Board are not taxable to Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable as Maine income. Enter on this line amounts included in federal alternative minimum taxable income.

Line 2c. Interest from Maine Municipal General Obligation & Private Activity Bonds included in federal alternative minimum taxable income. You may have this type of interest included in your federal alternative minimum taxable income. Interest from these bonds is exempt from state income tax, even if taxed on the federal return. If you have interest of this type included in your federal alternative minimum taxable income, enter the amount on this line. Generally, this is the amount from Maine Form 1041, Schedule 1, line 2c.

Line 2d. Maine State Retirement System Pick-Up Contributions. Enter contributions paid to you in 2004 that

have been previously taxed by the state. Use this line only if you retired after 1988 and are receiving retirement benefits from the Maine State Retirement System (MSRS). To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the check stub of your last pension check received from MSRS in 2004. Also enter on this line MSRS rollover amounts previously taxed by the state, whether or not included in federal alternative minimum taxable income.

Line 2e. Federal Work Opportunity Credit/Federal Empowerment Zone Credit. Enter on this line the amount equal to your federal Work Opportunity Credit and your federal Empowerment Zone Credit to the extent allowed against federal alternative minimum tax. Generally, this is the amount from Maine Form 1041, Schedule 1, line 2e.

Line 2f. Bonus Depreciation/Section 179 Expense Recapture. Amounts required to be added to federal alternative minimum taxable income under 36 MRSA § 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, 5% of the addition modification is recaptured in 2004, with the remaining 95% recovered in subsequent tax years, in equal installments, over the remaining life of the applicable asset.

Line 2g. Other Deductions. Enter on this line • Maine Lottery or Tri-State Lottery winnings received in 2004 and won prior to January 1, 1987 • account proceeds from a Family Development Account administered by FAME (36 M.R.S.A. § 5216-C) • state income tax refunds • net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122 • earnings from fishing operations that were contributed to a capital construction fund • income from investments in the Northern Maine Transmission Corporation • the estate's/trust's share of a fiduciary adjustment – subtractions only (36 M.R.S.A. §§ 5122(3) and 5164) • interest income and capital gains from the sale of bonds issued by the Waste Management Agency to the extent included in federal alternative minimum taxable income • all items of income, gain, interest, dividends, royalties, and other items of income of a financial institution subject to the Maine franchise tax that are included in federal alternative minimum taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner • up to \$6,000 in pension income pursuant to 36 M.R.S.A. § 5122(2)(M) • expenses incurred in the production of income subject to Maine tax, but exempt from federal tax (an example is expenses related to the production of non-Maine municipal bond interest) • amounts received from a Holocaust victims settlement that are included in federal alternative minimum taxable income (see 36 M.R.S.A. § 5122(2)(O)) • long-term care insurance premiums paid by the estate or trust that have not been claimed as an itemized deduction on the decedent's federal income tax return or as a federal adjustment for self-employed individuals. Except for net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, enter only amounts included in federal alternative minimum taxable income. **Attach supporting documentation when claiming an amount on this line.** Generally, this is the amount from Maine Form 1041, Schedule 1, line 2g.