

# GENERAL INFORMATION

**Who must file?** All pass-through entities required to withhold Maine income tax from the Maine-source distributive income of each nonresident member (partner, shareholder, LLC member, etc.) must file Form 941P-ME. **Note: This withholding requirement is separate from and in addition to employee income tax withholding requirement.**

**When to file.** Returns must be completed and filed with Maine Revenue Services each quarter according to the following schedule:

<u>Quarter</u>	<u>Period Covered</u>	<u>Due Date</u>
Quarter 1 .....	01-01-08 to 03-31-08 .....	04-30-08
Quarter 2 .....	04-01-08 to 06-30-08 .....	07-31-08
Quarter 3 .....	07-01-08 to 09-30-08 .....	10-31-08
Quarter 4 .....	10-01-08 to 12-31-08 .....	01-31-09

**Payment:** Payment of withholding amounts must be remitted quarterly at the time of filing the return to avoid interest and penalty. Prepayments may also be made by paper voucher (Form 900ME) or electronically (EFT or EZ Pay) during the quarter.

**Interest and Penalty.** Beginning January 1, 2008, the interest rate is 12% per annum, compounded monthly. The penalty for failure to pay the withholding tax on time is 1% per month up to a maximum of 25%. The penalty for failure to file a return on time is 10% of the tax liability or \$25, whichever is greater. If a return is filed more than 30 days after demand, the penalty is 100% of the tax due.

**Where to file.** Mail returns, with payments, to Maine Revenue Services, P.O. Box 9118, Augusta, Maine 04332-9118.

**How much should I withhold?** You must withhold 8.5% of any Maine-source distributable income for each nonresident member (8.93% for C corporation members). This percentage represents Maine's top income tax rate. If you do not know the exact amount of income allocated to a member, you must estimate. To avoid penalties and interest, the withholding tax must be based on either of the following:

- (a) the prior year's Maine-source member income, or
- (b) 90 percent of the current year's Maine-source member income.

**Maine-source Member Income.** Maine-source member income is the member's share of the net income of the entity apportioned to Maine in accordance with 36 M.R.S.A., Chapter 821.

**Are there any exceptions?** If Maine-source entity income allocated to a single member for an entire calendar year or prior year is less than \$1,000, this withholding requirement is waived for that member. However, this does not mean the nonresident member will not owe income tax to Maine. It is possible, especially if there is other Maine-source income, for the nonresident member to owe income taxes to Maine even if the withholding requirement does not apply.

If a nonresident member agrees to comply with all Maine income tax laws, no withholding is necessary for that member. The member who has made this agreement must provide the entity with an Affidavit and Agreement to Comply with Maine Income Tax (Form 941AF-ME). The entity must keep the document on record for at least three years. Further, the entity must annually submit a Pass-through Entity Withholding Exemption Form (941E-ME) and a List of Participating Members in the Compliant Taxpayer Exemption (941LM-ME).

If a nonresident member wishes to be included in a composite

filing, the withholding requirement is waived for that member. Each participating member must provide the entity with an Agreement to Participate in a Composite Filing of Maine Income Tax (Form 941CF-ME). The entity must also file a Pass-through Entity Withholding Exemption Form 941E-ME with MRS, although a list of participating members is not required. Visit the MRS web site at [www.maine.gov/revenue](http://www.maine.gov/revenue) for more information about composite filing.

If a pass-through entity believes, for reasons other than those already mentioned, that it should be exempt from the withholding requirement, or the entity would like to propose an alternate application of the withholding requirement, the entity may apply for an exemption. In order to apply, Form 941E-ME and a letter of explanation must be submitted to MRS as soon as possible prior to the filing deadline for the quarterly return. If the exemption request involves a complicated pass-through entity structure (i.e., tiered entities), more time may be required for MRS to issue a decision. If the entity requesting an exemption does not receive a decision prior to the withholding deadline, the entity will need to submit the required withholding. The entity must reapply for the exemptions annually.

Copies of Form 941E-ME, affidavits and more information on pass-through entity withholding and exemptions are available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

**Form 1099ME.** After the calendar year and by January 31, the pass-through entity must supply each member with a copy of Form 1099ME (available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or by calling (207) 624-7894), showing the total amount withheld for the year for that member. The member must present this with his/her individual income tax return in order to prove the amount withheld for the year. A person who furnishes a false or fraudulent Form 1099 or fails to furnish a Form 1099 commits a civil violation for which a fine of \$50 for each failure must be imposed.

**Form W-3ME.** Beginning with tax year 2008, Pass-Through Entities that withhold Maine Income Tax must file an annual reconciliation (Form W-3ME) by February 28 of the following year. See Form W-3ME for more information.

**Note:** Forms in this book are designed to comply with optical scanning requirements. The spaces underlined in red must be completed carefully in black or blue ink. Letters and numbers must be entered legibly within the underlined area. Letters must appear in upper case only and start on the left. Numbers must start from the right.

For example:

Name:	<u>C O M P A N Y I N C</u>
Address:	<u>1 2 3 F I R S T S T</u>
Maine Income Tax Withheld:	<u>1 2 , 3 4 5 . 0 0</u>

**Do not mail photocopies of the forms in this book to Maine Revenue Services. Photocopied forms cannot be processed by the scanning system. Additional forms may be downloaded at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or call 207-626-8475.**

## SPECIFIC INSTRUCTIONS

Each quarterly return in this booklet is preprinted with the quarter being reported, your Pass-through Withholding Account Number, your business name(s) and the calendar period covered. Your Pass-through Withholding Account Number consists of your federal Employer Identification Number plus a two-digit state suffix. Returns must be completed and filed with Maine Revenue Services on or before the required due date.

**Line A. Number of payees.** Enter the total number of non-resident members subject to Maine pass-through entity withholding this quarter.

**Line 1.** Enter the amount of Maine pass-through entity withholding reported for this quarter from Schedule 2P, line 10. Reduce the amount of this line by any amount of real estate withholding payments.

**Line 2.** If you elected to make prepayments during the quarter, complete Schedule 1P. Enter the total amount remitted (either with Forms 900ME or by Electronic Payments) from Schedule 1P, line 5. Enter zero if you did not make any prepayments.

**Line 3a.** Enter the amount of Maine income tax withholding due with this return if line 1 is greater than line 2. Enclose your remittance with the return.

**Line 3b.** Enter the amount of Maine income tax withholding overpaid if line 2 is greater than line 1. A refund will be sent to you.

---

### Cancellation Notice

When the business is discontinued or the requirement to withhold permanently ceases, complete the Cancellation Notice.

**Line 4.** Check the box and provide the information requested.

---

### Schedule 1P Reconciliation of 900ME Voucher or Electronic Prepayments of Pass-through Entity Withholding

Schedule 1P reports prepayments of pass-through entity withholding.

Complete Schedule 1P only if you made prepayments during the quarter. Complete one row of the schedule for each prepayment made. If you did not make any prepayments, do not complete Schedule 1P.

**Line 5.** Enter the total amount of pass-through entity withholding prepayments for this quarter. Include amounts remitted with Forms 900ME as well as amounts remitted by EFT or EZ Pay. Enter this amount on Form 941P-ME, line 2.

---

### Schedule 2P Pass-through Entity Withholding Listing

**All filers must complete Schedule 2P, columns 6, 7 and 8 and lines 9 and 10.** See further instructions below. Complete all information for each Schedule 2P page submitted, including the check boxes at the top of the page. If any nonresident member is other than an individual, a separate Schedule 2P must be submitted and the appropriate space at the top of the form must be checked.

**Column 6.** Enter each member's last name, first name and middle initial. If a nonresident member is other than an individual, enter the business name.

**Column 7.** Enter each member's social security number or, if the nonresident member is other than an individual, the federal employer identification number.

**Column 8.** Enter the total Maine income tax withheld for each member during the quarter. If a member's withholding is greater than \$999,999.99, enter the withholding on two or more lines to add up to the total withholding for the member. If no income tax was withheld, enter zero.

**Line 9.** Enter the total Maine income tax withheld for members listed on this page. If no income tax was withheld, enter zero.

**Line 10. On the last Schedule 2P page only,** enter the total Maine income tax withheld for all Schedule 2P pages. If no income tax was withheld, enter zero. Enter this amount on Form 941P-ME, line 1.

---

## AMENDED RETURNS

If you made an error on a previously filed return, you must file an amended return to correct the error. Amended returns (one for income tax withholding and one for unemployment contributions) are located in this booklet immediately following Form W-3ME. Instructions for completing these forms are on the back of each form.

Additional forms are available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or by calling (207) 624-7894.

---

## Unclaimed Property Reporting Requirements

Maine businesses are required to identify, report and remit unclaimed property to the Office of State Treasurer in accordance with 33 M.R.S.A., Chapter 41. The required reports may be filed online (secure server) electronically using free downloadable software available at [www.maine.gov/unclaimed](http://www.maine.gov/unclaimed) or on paper.

The report must be filed May 1st for life insurance property, gift certificates/cards, and stored value cards, and November 1st for all other unclaimed property, such as, bank accounts, uncashed checks and securities.

For more information, go to [www.maine.gov/unclaimed](http://www.maine.gov/unclaimed) or call (207) 624-7470.

## ELECTRONIC FILING REQUIRED FOR SOME EMPLOYERS/PAYORS



New Rule 104 (Electronic Filing of Maine Tax Returns) requires electronic filing of Maine income tax withholding returns if the employer or payor has 75 or more employees or payees. The threshold is reduced to 50 employees or payees in any calendar year beginning after 2008. Employers/payors unable to meet the electronic filing requirement because of undue hardship may request a waiver from the State Tax Assessor. To view Rule 104, see [www.maine.gov/revenue](http://www.maine.gov/revenue) (select "Laws & Rules").

The quarterly return and Form W-3ME may be filed via the MRS Internet filing program (Maine I-file), which does not require any special software. For your convenience, you may upload wage listing spreadsheet files via the Maine I-file program. Maine I-file has many convenient features:



- ▶ **EASY LOGIN:** The login process is quick, making it faster and easier to get your work done.
- ▶ **FLEXIBLE FILING:** You can file returns for any quarter of the year.
- ▶ **FILE UPLOAD:** You can upload employee wage and withholding data from your spreadsheet file.
- ▶ **PRE-FILLED PAYMENT DATA:** Semiweekly payments made on Form 900ME or via EZ Pay will be prefilled automatically on your I-File account, saving you time.
- ▶ **PRE-FILLED PAYEE DATA:** The *I-File* system for payroll taxes stores your employee data for the next quarter. Payee names and social security numbers will be pre-filled automatically.
- ▶ **SECURITY:** Maine Revenue Services uses 128-bit encryption and secure socket layer technology to ensure the data you enter and send is secure.

**Try it on your own or call us for assistance.** Experienced personnel will walk you through your initial registration and answer any questions you may have. **Call (207) 626-8475, select option 1, then option 4** for a direct connection to the Maine Business Tax Unit. For more information, see [www.maine.gov/revenue](http://www.maine.gov/revenue).

## Electronic Payment Options



Maine Revenue Services ("MRS") offers a convenient 24-hour electronic payment option called **EZ Pay**. You can access **EZ Pay** on our web site at [www.maine.gov/revenue/netfile/ezpay.htm](http://www.maine.gov/revenue/netfile/ezpay.htm). Almost any type of tax payment can be made, including withholding and unemployment taxes. To avoid having to make payments earlier than necessary, payments may be scheduled in advance and will automatically be withdrawn on the payment date you select.

To use **EZ Pay**, simply register online at the time you want to make your first payment. Once registered, the system will ask you to select the tax type you want to pay. If you are making a semiweekly payment, select "900ME Withholding Semiweekly Payment." If you are paying a tax balance due with your quarterly withholding return, select "Withholding Payment." If you are paying a balance due from a bill or notice that you received from MRS, select "Bill Payment." If you make semiweekly payments electronically, do not send paper copies of Form 900ME to MRS.

MRS accepts both ACH credit method and ACH debit payments for income tax withholding quarterly returns. Both ACH payment methods require registration applications to participate.

**EFT Required.** Taxpayers with an annual total combined tax liability for all taxes of \$100,000 or more must pay electronically. For 2009, taxpayers with an annual combined tax liability of \$50,000 or more must pay electronically. For years after 2009, the threshold is \$25,000 or more. Payroll processing companies must remit electronically for all clients, even if clients are not mandated to pay electronically. A payroll processing company may request a waiver from this requirement for good cause. MRS also encourages voluntary participation in the EZ Pay program by those not required to pay electronically. There are no payment minimums.

**ACH Credit.** A taxpayer may make payments using this method by authorizing their bank to withdraw the tax payment from the taxpayer's deposit account and transfer it to the state's account. You must have previously established a relationship with a bank that provides this service (generally larger commercial banks) and you must have previously registered with the MRS EFT Unit as a credit method payer.

**ACH Debit.** A taxpayer may make payments using this method by authorizing MRS to electronically transfer tax payments from the taxpayer's deposit account to the MRS deposit account. The authorization is initiated through a telephone call to the MRS electronic withdrawal payment system (207-624-7777). This telephone payment system allows taxpayers to arrange for debit payments with effective dates up to 15 days in the future. The amount due shown on the return you filed will be deducted from your account within 3 business days from the date you authorize the transfer.

**Penalty for Insufficient Funds.** The penalty for insufficient funds applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

**Penalty for Failure to Pay by Electronic Funds Transfer.** Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

For more information, an application or a copy of Rule 102, visit [www.maine.gov/revenue](http://www.maine.gov/revenue) and select Electronic Services; send an email to [efunds.transfer@maine.gov](mailto:efunds.transfer@maine.gov); send a fax to (207) 287-6975; call (207) 287-8276; or write to: EFT Unit, Maine Revenue Services, PO Box 9100, Augusta, ME 04332-9100.