




## TAXATION IN MAINE

# Franchise Tax (1/2)



Every **financial institution** that has Maine net income or Maine assets during the taxable year must pay Maine franchise tax, even if the institution is established as a partnership, S corporation or entity disregarded as separate from its owner.

“**Financial institution**” means a bank, bank holding company, thrift institution, savings association, insured institution, savings bank holding company, qualified savings bank, insured depository institution, appropriate federal banking agency or qualified family partnership or any other financial institution authorized to do business in Maine.

Each year, a financial institution must elect the tax formula option to apply by placing an “X” in the appropriate box. The franchise taxpayer can choose between two tax options.

- The sum of 1% of the financial institution’s Maine net income plus .008% of its Maine assets
- The amount equal to .039% of the financial institution’s Maine assets

# Franchise Tax (2/2)



**Due Date** - The due date for filing the Maine franchise tax return is typically on or before the 18th day of the fourth month following the close of the tax year.

**Estimated Tax Payment** - All financial institutions subject to franchise tax must make periodic payments of estimated tax unless the liability for the taxable year reduced by allowable credits is less than USD 1,000. Payment may be made electronically or by filing Form 1120B-ES/ME vouchers.

**Extension** - A Maine extension request form is not required. If a taxpayer is unable to file by the original due date of the return, Maine allows an automatic six-month extension of time to file

**Filing Requirement** - The primary form used to file the Maine franchise tax return is Form 1120B-ME, Maine Franchise Tax Return.

**Interest and Penalty** - The penalty for failure to file is greater of USD 25 or 10% of the amount of tax due. If the return is filed more than 60 days after the receipt of a demand notice, the failure-to-file penalty increases to the greater of USD 25 or 25% 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 25%. Interest will be added each month on overdue tax until the entire amount is paid. The interest rate is 7%, compounded monthly

# Corporate Income Tax (1/2)

C corporations that have a nexus (a substantial connection) with Maine are required to file a Maine corporate income tax return. Nexus refers to a sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by conducting business, or by owning or using property, within the taxing jurisdiction. For tax years beginning on or after January 1, 2022, a corporation has nexus with Maine if: The corporation is organized or commercially domiciled in Maine; or as apportioned to Maine, any of the following thresholds are exceeded:

- Property, USD 250,000;
- Payroll, USD 250,000;
- Sales, USD 500,000; or
- 25% of the corporation's total property, payroll, or sales is in Maine



**Due date** - Corporations reporting for calendar year are required to file, with payment, on or before April 18.

**Filing Requirement** - The primary form used to file the Maine corporate income tax return is Form 1120ME, Maine Corporation Income Tax Return.

**Extension** - A Maine extension request form is not required. If a taxpayer is unable to file by the original due date of the return, Maine allows an automatic extension equal to any federal extension or 6 months, whichever expires later.

# Corporate Income Tax (2/2)

## ESTIMATED TAX PAYMENTS

All corporations subject to income taxes must make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than USD 1,000. Equal installments of estimated tax are due on the 15th day of the 4th, 6th, 9th and 12<sup>th</sup> months following the beginning of the tax year.



## PENALTY AND INTEREST

- The penalty for failure to file is greater of USD 25 or 10% of the amount of tax due. If the return is filed more than 60 days after the receipt of a demand notice, the failure-to-file penalty increases to the greater of USD 25 or 25% of the amount of 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%.
- Interest will be added each month on overdue tax until the entire amount is paid. The interest rate is 7%, compounded monthly.

# Pass – through entity Tax (1/2)



A pass-through entity treated as a partnership or S corporation for federal tax purposes that transacts business in Maine or realizes Maine-source income and had, during the reporting period, must file their returns through individual income tax of partners or shareholders of the pass-through entity or by filling Pass through entity form.

- Pass through entities reporting for calendar year are required to file, with payment, on or before April 18.
- The primary form used to file the Maine individual income tax return is Form 1040ME, Maine Individual Income Tax Return.
- Maine will allow an automatic six-month extension of time to file your return. Requests for additional time beyond the automatic six-month extension to file must be submitted in writing prior to the expiration of the six-month period. Generally, the total extension period cannot exceed eight months. The automatic extension is only effective if the return is filed within the six-month period.

# Pass – through entity Tax (2/2)

## Estimated Tax Payments

If the estimated Maine income tax for the year is, over and above USD1,000 or more and if your tax liability for the prior year was also USD 1,000 or more then the taxpayers must make estimated tax payments. The first installment payment is due on April 18. You may either pay all your estimated tax at that time or pay in four equal installments on April 18, June 15, September 15, and January 16. The estimated payments may be made electronically or by check using Form 1040ES-ME. Payments are due for each calendar quarter on or before the following dates: April 30th, July 31st, October 31st, and January 31st of the following year.

## Penalty and Interest

- The penalty for failure to file is greater of USD 25 or 10% of the amount of tax due. If the return is filed more than 60 days after the receipt of a demand notice, the failure-to-file penalty increases to the greater of USD 25 or 25% of the amount of 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%.
- Interest will be added each month on overdue tax until the entire amount is paid. The interest rate is 7%, compounded monthly.

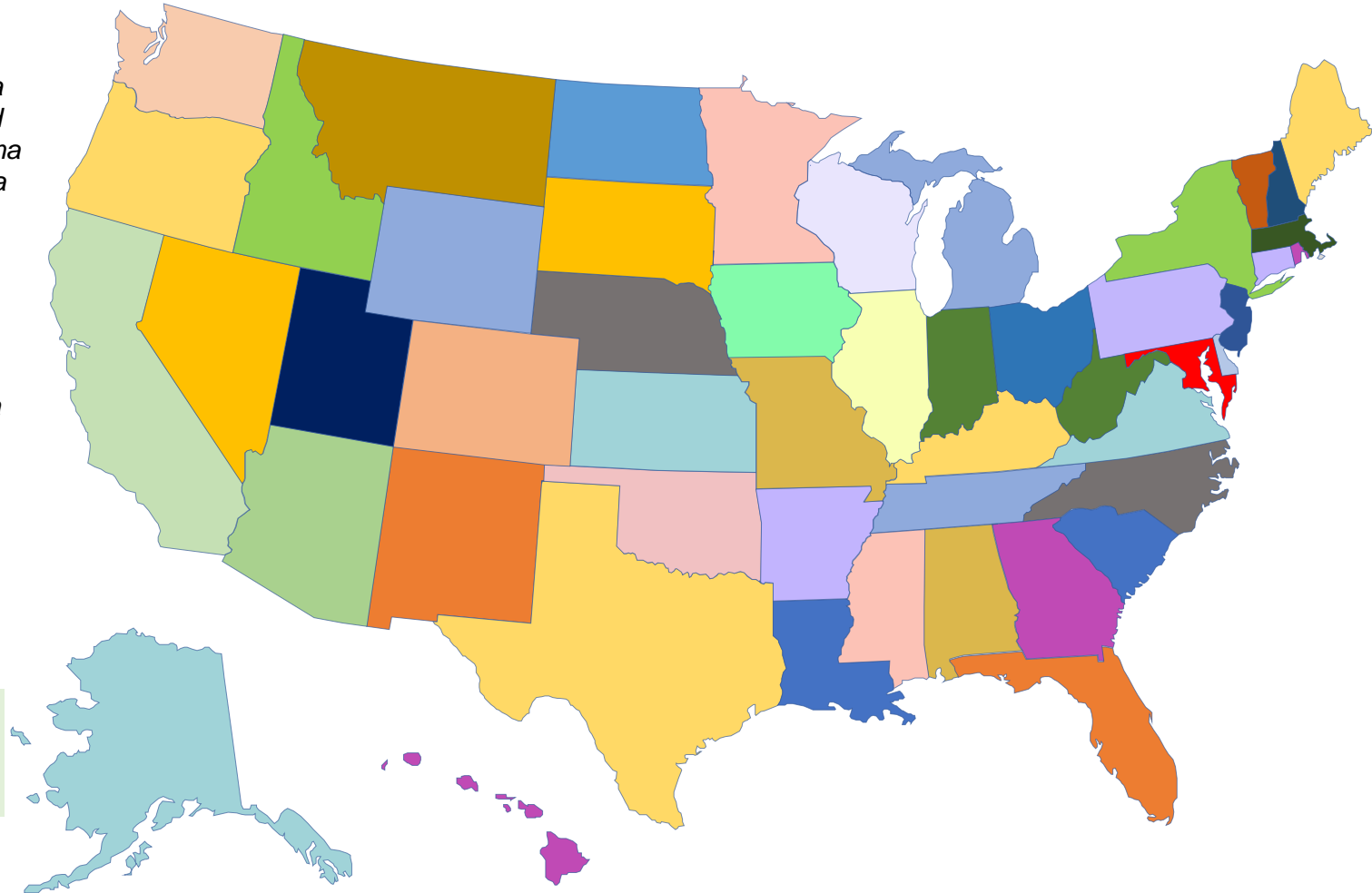


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