



# Maine Revenue Services

## Withholding Tables for Individual Income Tax

### Income Tax Withholding Questions?

- **Email:** [withholding.tax@maine.gov](mailto:withholding.tax@maine.gov)
- **Call:** (207) 626-8475 (select option 1, then option 4)

**IMPORTANT:** Maine Form W4-ME (Employee's Withholding Allowance Certificate for Maine) has been changed to assist employees in determining the number of allowances they should claim for Maine income tax withholding purposes, especially with respect to the number allowances claimed for children and dependents. Employers should encourage employees to review the updated Form W4-ME in order to determine whether the number of Maine withholding allowances should be changed. The updated Form W4-ME is available at <https://www.maine.gov/revenue/forms/homepage.html> (select Employment Taxes, then 2019).

**IMPORTANT.** The 2019 Maine personal exemption amount is \$4,200 and the Maine basic standard deduction amounts are \$12,200\* for single and \$24,400\* for married individuals filing joint returns. Also, the Maine standard deduction amounts for 2019 are phased out for single taxpayers with Maine income over \$81,450 and married taxpayers filing joint returns with Maine income over \$162,950.

\*Note: The Maine basic standard deduction amounts listed above differ slightly from the standard deduction amounts used to calculate Maine withholding. The percentage method for calculating Maine withholding (see pages 6 & 7) and the withholding tables in this booklet have been adjusted to reflect the 2019 exemption and deduction amounts. Also note the updated tax rate schedules in Step 6.

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**Electronic Filing Required.** All employers and non-wage payers registered for Maine income tax withholding accounts must electronically file Maine quarterly withholding tax returns and annual reconciliation of Maine income tax withholding. Waivers from this requirement are available if the requirement causes undue hardship. See MRS Rule 104 at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules) and page 5 for details.

**Electronic Payments Required.** Taxpayers that have a combined tax liability for all Maine taxes of \$10,000 or more during the lookback period ending in 2018 must remit all Maine tax payments electronically. Thus, in addition to other entities affected by the requirement, employers and non-wage payers required to remit on a semiweekly basis must do so electronically. See MRS Rule 102 at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules) and pages 2 and 5 for details.

**Electronic Filing of Information Return Data Required.** Information return data must be filed electronically with Maine Revenue Services by January 31st following the calendar year to which the information return relates; paper copies of Forms W-2 and 1099 are not acceptable. See specifications at [www.maine.gov/revenue](http://www.maine.gov/revenue) (select Electronic Services) for more information.

### PAYROLL PROCESSING COMPANIES

Payroll processors must register annually with, and be licensed by, the Bureau of Consumer Credit Protection. For more information on the licensing requirements, contact the Superintendent, Bureau of Consumer Credit Protection by phone (207) 624-8527, by fax (207) 582-7699, or by writing to: 35 State House Station, Augusta, ME 04333.

### MISSION STATEMENT

The mission of Maine Revenue Services is to serve the citizens of Maine by administering the tax laws of the State effectively and professionally in order to provide the revenues necessary to support Maine government. To accomplish this mission, we will:

- Foster voluntary compliance with the tax laws by providing clear, complete, accurate, and timely guidance to taxpayers to help them understand and meet their responsibilities under the law.
- Maintain the highest standards of integrity, fairness, confidentiality and courtesy in everything we do.

## ELECTRONIC PAYMENT OPTIONS

**Electronic Payment Required.** MRS Rule 102 requires that taxpayers with an annual total combined tax liability for all taxes of \$10,000 or more must pay electronically. Payroll processing companies must remit electronically for all clients, even if clients are not mandated to pay electronically. MRS also encourages voluntary participation by those not required to pay electronically. You may request a waiver from this requirement for good cause. To obtain a waiver request form, see contact information in the last paragraph of this section. MRS accepts electronic payments by ACH credit and ACH debit methods. There are several options for making payments by ACH debit, each of which is described below. ACH credit and ACH teledebit (phone payment system) require the submission of an EFT application prior to use.

**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. Most electronic filing systems used by Maine Revenue Services provide an option to pay by ACH debit by simply including your account information with the electronically filed return. In addition, ACH debit payments can be made using the Maine EZ Pay system or the Maine ACH Teledebit system.

**Maine EZ Pay.** Maine Revenue Services offers a convenient web based payment option called EZ Pay. You can access EZ Pay on our website at <https://portal.maine.gov/ezpay>. Almost any type of tax payment can be made, including withholding taxes. 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 pre-payment or semiweekly payment of withholding tax, select "Withholding Semiweekly Payment." If you are paying a balance due from a bill or notice that you received from MRS, select "Bill Payment."

**ACH Teledebit (now known as IVR).** Payments by IVR are initiated through a telephone call to the MRS electronic withdrawal

payment system. This telephone payment system allows taxpayers to arrange for debit payments with effective dates up to 90 days in the future. Pre-registration is required.

**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.

**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 about electronic payment requirements, an application, a waiver request form, 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) 624-5625; or write to: EFT Unit, Maine Revenue Services, PO Box 1060, Augusta, ME 04332-1060.

## PASS-THROUGH ENTITIES

In addition to employee withholding, pass-through entities (such as partnerships, S corporations and LLCs) with nonresident members (such as partners and shareholders) must withhold income taxes from those nonresident members on Maine-source distributive income. Estimate payments must be remitted to the state quarterly. Certain exemptions apply. Pass-through entities must withhold income taxes at the highest Maine rate -- **do not use this booklet to calculate withholding for nonresident members.** For more information, see Form 941P-ME at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

### DOs and DON'Ts for Clients of Payroll Processors in Maine:

Using the services of a payroll processor can be a convenient and economical way for an employer or non-wage filer to file and pay withholding taxes. However, employers or non-wage filers face certain risks associated with the use of a processor, including possible lack of compliance and the risk of loss of funds that are under the control of the processor. Ultimately, it is the employer or non-wage filer who bears the responsibility for meeting its payroll tax obligations. **If you are an employer or non-wage filer that uses the services of a payroll processor, you should take the following precautions:**

- ✓ Educate yourself to understand your filing requirements and the risks associated with using a payroll processor.
- ✓ Verify with the Bureau of Consumer Credit Protection, (207) 624-8527 or [www.credit.maine.gov](http://www.credit.maine.gov), that the processor is licensed and has provided proof of fidelity insurance to protect payroll funds, including coverage for crimes such as fraud and theft. If the processor has access to your company's tax funds, verify with the state that the processor has also posted a surety bond or letter of credit, or is enrolled in the state's Payroll Processor Recovery Fund.
- ✓ Obtain verification from the payroll processor and its insurer that the processor's liability insurance will remain in effect for a specified period of time.
- ✓ Read your contract with your processor carefully.
- ✓ **Ensure that the agreement/contract and any power of attorney that your processor has with you specifically requires that all notices sent by the IRS and state tax agencies be sent directly to you.**
- ✓ Never hesitate to contact tax authorities or the Bureau of Consumer Credit Protection directly when you feel it necessary.
- ✓ Check with the appropriate tax agency periodically to ensure that returns and payments are filed in a timely manner.
- ✓ Insist on verification from your processor that any problem for which the employer has received a tax agency notice has been resolved.
- ✓ Never assume that everything is fine solely because you have not received notice of any problems from the IRS or MRS.
- ✓ Never sign a tax return before it is completed.
- ✓ **Require that the processor provide copies of returns, not just summaries, at the time of filing.**
- ✓ If you are using a nationwide payroll service, be sure you are assigned a direct contact person and telephone number.

**Maine Revenue Services  
P.O. Box 1060  
Augusta, Maine 04332-1060**

**Phone**

Taxpayer Assistance for Withholding Taxes: ..... (207) 626-8475  
(select option 1, then option 4)

Payment Plans or Collection Questions: ..... (207) 624-9595

Central Registration Unit: ..... (207) 624-5644

**Address**

Website: ..... [www.maine.gov/revenue](http://www.maine.gov/revenue)

Email: ..... [withholding.tax@maine.gov](mailto:withholding.tax@maine.gov)

## EMPLOYER WITHHOLDING TAX CALENDAR

<u>Filing</u>	<u>Form Number</u>	<u>Due Date</u>
SEMIWEEKLY PAYMENTS OF WITHHELD INCOME TAXES	900ME	<p>If your <b>Withholding Tax Remittance Frequency</b> is semiweekly and wages or non-wages are paid on Wednesday, Thursday or Friday, payment of withheld income taxes is due the following Wednesday. If the wages or non-wages are paid on Saturday, Sunday, Monday or Tuesday, the payment of withheld income taxes is due the following Friday.</p> <p><b>Note:</b> Taxpayers that have a combined tax liability for all Maine taxes of \$10,000 or more during the lookback period ending in 2018 must remit all Maine tax payments electronically. Thus, in addition to other entities affected by the requirement, employers and non-wage payers required to remit on a semiweekly basis must do so electronically. See MRS Rule 102 at <a href="http://www.maine.gov/revenue/rules">www.maine.gov/revenue/rules</a> and pages 2 and 5 for details.</p>
QUARTERLY RETURN OF INCOME TAX WITHHOLDING	941ME	<p>This form must be filed by all employers or non-payroll filers registered to remit income tax withholding. The form is used to report income taxes withheld for the quarter, to reconcile payments of income taxes withheld remitted during the quarter and to make payment for any balance due for income taxes withheld. Each quarterly return is due the last day of the month following the end of the calendar quarter, even if there is no withholding tax to report. Employers or non-payroll filers are required to complete the withholding detail pages on the quarterly return. A non-payroll filer who is not able to comply with this requirement must obtain a waiver from Maine Revenue Services.</p>
ANNUAL RECONCILIATION	W-3ME	<p>Due February 28 of the following year or at termination of business.</p>
WAGE AND TAX STATEMENT OR INFORMATION STATEMENT	W-2, 1098, 1099, 5498, etc.	<p>Furnish payee the applicable statement on or before the date the federal statement is due, or within 30 days after the last payment of wages or termination of employment, if the statement is requested in writing.</p>

## INSTRUCTIONS

**1. Introduction.** The Maine withholding tax system operates in much the same manner as the federal system. Employers or non-payroll filers must withhold Maine income tax from their employees'/payees' earnings and remit the withheld funds to Maine Revenue Services. The law also requires withholding from non-wage payments, such as distributions from pensions and annuities, and certain other payments when there is federal withholding.

In these instructions, "person" means an individual, firm, partnership, association, society, club, corporation, estate, trust, business trust, receiver, assignee, the state or federal government or any other political subdivision or agency of either government, or any other group or combination thereof acting as a unit.

**2. Registration for Withholding Purposes.** If a new withholder, or the withholding account has been closed for more than a year, a person must register with the Central Registration Unit. Contact the Central Registration Unit at [taxregistration@maine.gov](mailto:taxregistration@maine.gov) or call (207) 624-5644 to obtain the proper form. You may also apply online at [www.maine.gov/revenue](http://www.maine.gov/revenue).

**3. Payments Subject to Maine Withholding.** Any person who maintains an office or transacts business in Maine and who is required to withhold federal income tax from a particular payment must also withhold state income tax if the payment constitutes income that is not excluded from taxation under Maine law.

The withholding requirement applies to nonresident and resident individuals. For purposes of the income tax withholding requirements, Maine-source income of a nonresident individual includes income attributable to an occupation, trade or business carried on in Maine. Included in Maine-source income are such items as unemployment compensation connected with Maine employment.

Agricultural employees are also subject to the withholding requirements. However, pensions, annuities and other income from intangible sources paid to a nonresident are not subject to withholding of Maine income tax.

Maine-source income of a nonresident individual may not be subject to income tax withholding if the number of days worked in Maine falls below the threshold defined by 36 M.R.S. § 5142(8-B) and MRS Rule 806. If a nonresident employee works in Maine for more than twelve days and earns more than \$3,000 during the year, you must ordinarily withhold Maine income tax from that employee. For more information, see Rule 803. For a copy of MRS Rule 803 or 806, visit the MRS website at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules), write Maine Revenue Services, P.O. Box 1060, Augusta, ME 04332-1060 or call 207-624-7894.

**4. Computing the Amount of Maine Taxes to Withhold.** Any of the following methods may be used to calculate the amount of Maine income tax to withhold from payments subject to the federal wage method of withholding:

(a) Percentage Method. See pages 6 and 7.

(b) Wage Bracket Tables. The tables on pages 9-18 show the amount of Maine income tax to be withheld by wage bracket and by number of withholding allowances claimed on a weekly, biweekly, semimonthly, monthly and daily or miscellaneous basis. There are separate tables for single taxpayers and married taxpayers.

To ensure adequate withholding, employers must use the withholding tax rate schedule or the table that directly corresponds to the status checked by the employee in box 3 of Maine Form W-4ME. If the "Single" box is checked, the employer/payer must use the single percentage or the single withholding table. If the "Married" box is checked, the employer/payer must use the married percentage or the

married withholding table. If the "Married, but withholding at higher Single rate" box is checked, the employer/payer must use the single percentage rate schedule or the single withholding table.

(c) Flat-Amount or Fixed Percentage Rate Method. If a payee requests an amount of withholding that exceeds the amount that would otherwise be required, the request may be granted.

(d) Alternate Method. Another method devised by a withholding agent that produces the same result as the percentage method or the wage bracket tables, or that produces a result that falls between those methods.

If supplemental wages (such as bonuses, commissions, overtime pay, etc.) are paid with regular wages, the amount of withholding is calculated as if the total were a single payment of wages for the regular payroll period. If the supplemental wages are paid separately, the payer may withhold a flat five percent.

Maine income tax law requires a person who withholds for federal purposes to withhold for Maine an amount that approximates the payee's liability for the taxable year. If this condition is met, the payer may use a withholding method that best approximates the payee's liability. For non-wage payments that are subject to flat rate federal withholding, withholding at a rate of five percent of the total payment is required for Maine.

**5. Withholding Allowances - Form W-4ME.** Maine requires new employees or payees and employees or payees making changes to their federal Form W-4 to furnish a state withholding allowance certificate (Form W-4ME). Differences between Maine income tax law and the Internal Revenue Code (such as the federal child credit and Maine dependent exemption credit) may affect the number of allowances an employee or payee may claim. Maine withholding allowances claimed on Form W-4ME are based on the number of allowances claimed on federal Form W-4, with adjustments. The Maine Form W-4ME must be provided to the employer or non-payroll filer on the same date the federal Form W-4 is provided. In no event shall an employee or payee claim a number of withholding allowances for Maine income tax withholding that exceeds the number to which he or she is entitled.

(a) An employee or payee may claim a **greater number of allowances** for state than for federal purposes. To do so, the employee or payee must obtain a Personal Withholding Allowance Variance Certificate from Maine Revenue Services. When applying for the variance, the employee or payee must certify that no income tax liability will be incurred for the current tax year. Each certificate expires on December 31, or whenever the employee or payee no longer qualifies for the certificate, whichever is sooner.

(b) An employee or payee may claim **fewer** withholding allowances for state than for federal purposes without a Personal Withholding Allowance Variance Certificate.

(c) An employee or payee may request an additional dollar amount or a flat dollar amount of withholding that exceeds the withholding tax amount specified by the tables.

The employee or payee who chooses any of the above options will reflect the option on the Maine Employee's Withholding Allowance Certificate (Form W-4ME).

Form W-4ME may also be used as the state counterpart to federal Form W-4P.

**Download Form W-4ME and the Personal Withholding Allowance Variance Certificate at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or order by calling (207) 624-7894.**



**Invalid Forms W-4.** If a federal Form W-4 is determined to be invalid for federal withholding purposes, it is not to be used as a base for the Maine Form W-4ME to compute Maine withholding. If, on request, the employee or payee does not provide a valid Form W-4ME, the employer or non-payroll filer must withhold as if the employee or payee were single and claiming no allowances. Also, if Maine Revenue Services notifies an employer or non-payroll filer that a Form W-4ME is invalid, the employer or non-payroll filer must withhold as if the employee or payee were single and claiming no allowances until the employee or payee provides a valid Form W-4ME.

**Submission of Forms W-4.** An employer is required to submit a copy of Form W-4ME, along with a copy of any supporting information provided by the employee, to Maine Revenue Services if either of the following circumstances apply.

- A. The employer is required to submit a copy of federal Form W-4 to the IRS either by written notice or by published guidance.
- B. An employee with a non-Maine address claims exemption from Maine withholding and the employer expects to pay the employee \$5,000 or more in Maine-source income for the year.

**6. Reporting Maine Income Tax Withheld.** Persons required to withhold must report the Maine income taxes withheld to Maine Revenue Services on a quarterly basis. Form 941ME is due quarterly by the last day of the month following the end of the quarter. **Note:** special payment requirements apply to persons whose withholding during the period July 1, 2017 to June 30, 2018 was \$18,000 or more (see item 7 below).

**Electronic Filing Required:** All employers and non-wage payers registered for Maine income tax withholding must electronically file Maine quarterly tax returns and annual reconciliation of Maine income tax withholding. Employers/non-payroll payers may request a waiver from the electronic filing requirement if the requirement causes undue hardship. The request must state the reason for hardship, how long the waiver will be required, and must be mailed to MRS, PO Box 1060, Attn: Withholding Unit, Augusta, ME 04332. If a waiver is granted, Maine Revenue Services will provide printed forms necessary for quarterly and annual filings. The electronic filing requirement does not apply to amended returns. See MRS Rule 104 at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules) for details.

Maine Revenue Services offers two options for electronically filing income tax withholding returns. If you use software capable of producing a file that conforms to Maine Revenue Services specifications, you may upload that file using the MEETRS File Upload system. Otherwise, you may file your return on the Maine Revenue Services website using the I-file system for payroll taxes. The I-file system for payroll taxes requires no special software and has many convenient features (see below).

**Household Employees.** If you withhold Maine income tax from household employees (required if federal tax is withheld), you must report the tax withheld on the withholding tax form. You cannot report the tax withheld on your Maine individual income tax return. Follow the reporting requirements above to report the tax withheld.

**Cancelling an Account.** A person who is registered to withhold Maine income tax must continue to file quarterly withholding returns, even if no tax has been withheld. If withholding is no longer required and the account is to be canceled, the MRS Central Registration Unit must be notified. Complete the cancellation notice, Form 941BN-ME available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

**7. Payment.** Employers or non-payroll filers whose total withholding during the lookback period of July 1, 2017, to June 30, 2018, was \$18,000 or more are required to make payments of income tax withholding on a semiweekly schedule.

Semiweekly Schedule	
Day Wages Paid	Remittance Due
Wednesday, Thursday, or Friday .....	On or before the following Wednesday
Saturday, Sunday, Monday, or Tuesday .....	On or before the following Friday

Any person with a combined tax liability to the State of \$10,000 or more for all tax types during the most recent lookback period ending during 2018 is required to remit all Maine tax payments electronically. See MRS Rule 102 at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules) for details.

Maine Revenue Services offers a convenient 24-hour electronic payment option called **EZ Pay**. You can access **EZ Pay** at <https://portal.maine.gov/ezpay>. To avoid making payments earlier than necessary, payments may be scheduled up to one year in advance and automatically withdrawn on the payment date you select.

Employers or non-wage payers whose withholding during the period July 1, 2017, to June 30, 2018, was less than \$18,000 are required to make payments on or before the date the quarterly return is due. However, the employer or other payer may choose to make payments more frequently than quarterly.

The total amount withheld and the total payments made during the quarter are reported and reconciled on the quarterly return (Form 941ME).

The State Tax Assessor may require more frequent remittances if the collection of withheld taxes is in jeopardy.

Your account will be reviewed at the end of 2019 to determine the proper remittance frequency for 2020. Maine Revenue Services will notify you if your remittance frequency is changed for 2020.

Complete filing and remittance requirements are contained in MRS Rule 803, Withholding Tax Reports and Payments. Copies of the rule are available on request, or at [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules).

**8. Error in Reporting Withholding.** If you need to make a correction in the withholding reported for a particular period, submit an amended return (Form 941ME with the amended return check-box completed) for that period. **Do not make the adjustment on a return for a subsequent period.**

**9. Payee Statement.** Federal law requires employers to furnish Forms W-2 to employees to report the payment of wages, taxes withheld, etc. Persons who make other payments are required to furnish information returns (1098, 1099 series) to the payees. Compliance with these federal requirements will satisfy state requirements if the information return provided includes state wages (or other payment) and state withholding information.

Consistent with federal law, annual employee income and withholding statements (such as Forms W-2 and 1099) must be furnished to payees by the date the federal statement is due. In the case of an employee who is terminated before the close of the calendar year, that employee must submit a written request in order to receive the income statement within 30 days, if that 30-day period ends before January 31st.

Penalties apply for failure to furnish accurate and timely Forms W-2/1099 statements to payees. A person who furnishes a false or fraudulent statement or fails to furnish a statement commits a civil violation for which a fine of \$50 for each failure must be imposed.

**10. Annual Reconciliation (Form W-3ME).** As soon as feasible, but before February 28 of each year, or at the termination of business, persons who withheld Maine income tax during the year must file a reconciliation return on Form W-3ME. Total income tax withheld shown on the reconciliation return should equal the total withholding reported to Maine Revenue Services for the year and should also equal the total Maine income tax withheld shown on all information returns furnished to payees. Mail or electronically file Form W-3ME separately from your return and payment for the fourth quarter.

**11. Forms.** All employers and non-wage payers registered for Maine income tax withholding must electronically file Maine quarterly tax returns and annual reconciliation of Maine income tax withholding. Employers/non-wage payers may request a waiver from the electronic filing requirement if the requirement causes undue hardship. If a waiver is granted, Maine Revenue Services will provide printed forms necessary for quarterly and annual filings. The electronic filing requirement does not apply to amended returns.

Quarterly and annual forms, Form W-4ME (Maine Employee's Withholding Allowance Certificate) and Form 941BN-ME (Business Change Notification), as well as related instructions, are also available online at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

Maine Revenue Services does not supply Forms W-2, W-4, 1098, 1099 or 5498. These must be obtained from the Internal Revenue Service.

**12. Interest and Penalties.** Interest and penalties will be charged for withheld tax not remitted by the due date. In addition, a penalty will be assessed for late filing. The interest rate for 2019 is 6% per year, compounded monthly. The penalty for late payment is 1% per month, or fraction thereof, of the tax due up to a maximum of 25%. The penalty for late filing is \$25 or 10% of the tax due, whichever is greater. If a tax return is not filed on demand, the late filing penalty is the greater of \$25 or 25% of the tax due. The law also provides penalties for negligence, fraud and substantial understatement.

**13. Pensions and Annuities.** If payments from an employer-sponsored retirement plan are subject to federal withholding, then Maine income tax must also be withheld, unless the payee elects out of Maine withholding.

**14. Backup Withholding.** If backup withholding is required at the federal level, Maine requires withholding at a flat rate of 5%.

**15. Other Questions.** If you have questions, contact the Income/Estate Tax Division for assistance (see page 3 for address, email and telephone numbers).

## MAINE INCOME TAX WITHHOLDING — PERCENTAGE METHOD — 2019

If you use the percentage method to compute Maine income tax withholding, use the following steps:

**Step 1** Convert total wages to annualized wage amount. Multiply by the payroll frequency: 52 for weekly, 26 for biweekly, 24 for semimonthly, 12 for monthly, 260 for daily or miscellaneous payroll period.

**Step 2** Multiply the number of withholding allowances the employee claims by \$4,200.

**Step 3** Calculate the Maine Standard Deduction.

If the annualized wage amount determined under Step 1 is \$81,450 or less for a single taxpayer, the Maine standard deduction amount for withholding purposes is \$9,350. If the annualized income determined under Step 1 is \$162,950 or less for a married taxpayer, the Maine standard deduction amount for withholding purposes is \$21,550.

If the annualized wage amount determined under Step 1 is \$156,450 or more for a single taxpayer or \$312,950 or more for a married taxpayer, the Maine standard deduction amount is \$0.

If the annualized wage amount determined under Step 1 is between \$81,450 and \$156,450 for a single taxpayer or between \$162,950 and \$312,950 for a married taxpayer, calculate the Maine standard deduction amount as follows:

Single Taxpayers

$\$9,350 * (\$156,450 - \text{Amount from Step 1}) / \$75,000$

Married Taxpayers

$\$21,550 * (\$312,950 - \text{Amount from Step 1}) / \$150,000$

\*Round to 4 decimals (see Example 3 on the next page)

**Step 4** Subtract the results from Steps 2 and 3 from the annualized wage amount calculated in Step 1 to compute the annualized income.

**Step 5** Compute the annualized withholding amount using the withholding rate schedules below based on the annualized income computed in Step 4.

**Step 6** Divide the annualized withholding amount computed in Step 5 by the payroll frequency used in Step 1 and round to the nearest dollar. The result is the amount of Maine income tax to be withheld from the payment being made.

For Single Taxpayers

If the annualized income is:  
 Less than \$21,850  
 \$21,850 but less than \$51,700  
 \$51,700 or more

The annualized withholding is:  
 5.80% of income  
 \$1,267 plus 6.75% of excess over \$21,850  
 \$3,282 plus 7.15% of excess over \$51,700

For Married Taxpayers

If the annualized income is:  
 Less than \$43,700  
 \$43,700 but less than \$103,400  
 \$103,400 or more

The annualized withholding is:  
 5.80% of income  
 \$2,535 plus 6.75% of excess over \$43,700  
 \$6,565 plus 7.15% of excess over \$103,400

**Example 1:** A single employee is paid \$300 each week. The employee claims two withholding allowances on Form W-4ME. Using the percentage method, compute the employee's withholding as follows:

- (1) Gross pay of \$300 x 52 weeks = \$15,600
- (2) Compute personal exemption amount:  
2 allowances x \$4,200 = \$8,400
- (3) As the annual wage amount is less than \$81,450 the standard deduction amount is \$9,350.
- (4) Compute annualized income:

Annualized wage	\$15,600
Allowances	- 8,400
Standard Deduction	<u>- 9,350</u>
Annualized Income	- \$2,150

**Because the annualized income amount is less than \$0, the amount to be withheld is zero.**

**Example 2:** A single employee is paid \$800 each week. The employee claims two withholding allowances on Form W-4ME. Using the percentage method, compute the employee's withholding as follows:

- (1) Gross pay of \$800 x 52 weeks = \$41,600
- (2) Compute personal exemption amount:  
2 allowances x \$4,200 = \$8,400
- (3) As the annual wage amount is less than \$81,450 the standard deduction amount is \$9,350.
- (4) Compute annualized income:

Annualized wage	\$41,600
Allowances	- 8,400
Standard Deduction	<u>- 9,350</u>
Annualized Income	\$23,850

- (5) Compute annualized withholding amount:

	<u>Rate</u>	<u>Tax</u>
\$23,850		
<u>- 21,850</u>	See Schedule	\$1,267
\$2,000	x 6.75%	<u>\$135</u>
Annualized Withholding Amount		\$1,402

- (6) Annualized withholding of \$1,402 divided by 52 = \$26.96 rounded to \$27. Withhold \$27 each week.

**Example 3:** A married employee is paid \$4,500 each week. The employee claims two withholding allowances on Form W-4ME. Using the percentage method, compute the employee's withholding as follows:

- (1) Gross pay of \$4,500 x 52 weeks = \$234,000
- (2) Compute personal exemption amount:  
2 allowances x \$4,200 = \$8,400
- (3) Compute the standard deduction:  
 $\$21,550 * (\$312,950 - \$234,000) / \$150,000$   
 $\$21,550 * \$78,950 / \$150,000 = \$11,342$

- (4) Compute annualized income:

Annualized wage	\$234,000
Allowances	- 8,400
Standard Deduction	<u>- 11,342</u>
Annualized Income	\$214,258

- (5) Compute annualized withholding amount:

	<u>Rate</u>	<u>Tax</u>
\$214,258		
<u>- 103,400</u>	See Schedule	\$6,565
\$110,858	x 7.15%	<u>\$7,926</u>
Annualized Withholding Amount		\$14,491

- (6) Annualized withholding of \$14,491 divided by 52 = \$278.67 rounded to \$279. Withhold \$279 each week.

**NOTE:** If the payment involved is subject to flat rate federal withholding (backup withholding), a flat rate state withholding of 5% must be withheld. Multiply the amount of payment by 5% to compute the amount of tax to withhold. Do not use the above steps.

## COMMON ITEMS OF INCOME SUBJECT TO WITHHOLDING OF MAINE INCOME TAX

<u>INCOME TYPE</u>	<u>WITHHOLDING REQUIREMENT</u>	<u>WITHHOLDING BASIS</u>
Wages — including tips, commissions, bonuses, severance pay or “golden parachute” payments, supplemental unemployment benefits (IRC § 3402)	Mandatory	Wage methods (wage bracket tables or permitted alternatives)
Sick pay paid by employer or employer’s agent	Mandatory	Wage methods
Third-party sick pay not paid by an employer or employer’s agent	Payee must request	Amount requested by payee
Periodic payments from employer-sponsored retirement plan (pension, profit-sharing, stock bonus, etc.) (IRC § 3405)	Required, unless payee elects out of withholding	Wage methods
Lump-sum or other nonperiodic payment from employer-sponsored retirement plan	Required, unless payee elects out of federal withholding	Flat 5 percent
Distribution from Individual Retirement Account (IRA) or self-employed pension (Keough) plan	Required, unless payee elects out of federal withholding	Flat 5 percent
Private employer-sponsored deferred compensation plan (IRC § 401(k))	Required, unless payee elects out of federal withholding	Flat 5 percent
Distribution from government employer-sponsored deferred compensation plan (IRC § 457)	Mandatory	Wage methods
Gambling winnings in excess of \$5,000; lotteries, parimutuel horse and dog races when odds are at least 300 to 1 (IRC § 3402(q)). <b>NOTE:</b> Winnings below these thresholds are still generally subject to Maine income tax.	Mandatory	Flat 5 percent
Reportable payments subject to federal backup withholding when payee fails to furnish proper Federal Tax Identification Number, or when payee or payer is notified by the Internal Revenue Service that federal backup withholding is required (IRC § 3406)	Mandatory	Flat 5 percent
Wages, interest, dividends, rent or other payments to nonresident aliens of the United States when federal income tax withholding is required (IRC § 1441)	Mandatory	Flat 5 percent
Effectively connected income of foreign partner (IRC § 1446)	Mandatory	Flat 5 percent

























