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Admitted in: MA, ME, NH

February 23, 2022

The Honorable Ben Chipman
The Honorable Maureen Terry
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

Re: LD 1890, An Act To Create a Rental Fleet Registration Program and Equalize the Tax Rate Imposed on Rental Vehicles

To the Joint Standing Committee on Taxation

My name is Jonathan Block. I live in Portland and am an attorney in the State and Local Tax Practice of Pierce Atwood LLP. I advise clients on Maine tax issues and am providing this information on behalf of Enterprise Holdings (Enterprise) regarding Part B of LD 1890.

Current law makes renting a truck in Maine an administrative nightmare for a car rental company such as Enterprise. It requires them to implement two completely different tax regimes simultaneously – one for the cars, pickup trucks and vans that they rent and one for all the other trucks that they rent.

When Enterprise purchases a car, pickup truck or van less than 26,000 pounds that will be rented in Maine, 36 MRSA §1752, sub-§11, ¶B(3) and (3-A) exempts that purchase from the 5.5% sales and use tax. When those vehicles are rented, 36 MRSA §1811, sub-§1, ¶D requires that Enterprise collect 10% sales tax from the customers on that transaction. By contrast, when Enterprise purchases any other kind of truck that will be rented in Maine, the law requires 5.5% sales and use tax be paid at purchase, and does not require 10% sales tax be collected on each rental.

This might not seem like a significant issue, but as truck manufacturers continue to innovate and more models are introduced to the market, the definition of "pickup truck" has become more complicated. There are "utility trucks", "box trucks", "cabover trucks", "parcel vans", and "stakebed" trucks, to name a few. (I've included some examples with this letter that may or may not be considered "pickup trucks" depending on one's own definition of a "pickup truck".) When Enterprise purchases a truck, essentially they have to predict whether that vehicle will be considered a "truck" or a "pickup truck" for tax

purposes. I work regularly with the professionals at Maine Revenue Services and I suspect they are equally as confounded by this challenge.

This inconsistency also causes car rental companies to buy outside of Maine, where all trucks purchased for short-term rental are tax-exempt. Oftentimes, the trucks are brought into Maine tax free after at least one year of use in other states. Maine residents are stuck renting older, less efficient trucks, and rental car companies are stuck with an administrative headache.

Part B addresses this problem. It amends 36 MRSA §1752, sub-§11, ¶B(3) so that all vehicles – cars, trucks and vans less than 26,000 pounds - purchased by a car rental company are exempt from the 5.5% sales tax. Similarly, it amends 36 MRSA §1811, sub-§1, ¶D so that all vehicles – cars, trucks and vans less than 26,000 pounds – rented out by a car rental company are subject to a 10% sales tax on each transaction. This means all vehicles purchased by a car rental company in Maine will be treated the same for tax purposes.

Note that Part B removes the term “pickup truck” and substitutes the term “truck” in the relevant sections of Title 36, Part 3. This change will reduce confusion for all affected parties and relieve Maine Revenue Services of the burden of having to distinguish between those types of vehicles. Note also that companies primarily engaged in the business of renting trucks (U-Haul, Ryder, Penske, etc.) are unaffected by this bill.

Finally, I would suggest a technical amendment to repeal 36 MRSA §1752, sub-§11, ¶B(3-A) be added to LD 1890. Subparagraph (3-A) was recently enacted by P.L. 2021, c. 181, § B-3 to address a rental car company’s nontaxable purchase of pickup trucks and vans weighing less than 26,000 pounds separately from its nontaxable purchase of automobiles in subparagraph (3). As amended by Part B, subparagraph (3), addresses both automobiles **and** trucks and vans weighing less than 26,000. Subparagraph (3-A) is therefore rendered redundant and should be repealed to avoid confusion.

Thank you for the opportunity to provide you with this information. I will be present at your virtual work session on this bill on Thursday, February 24 along with representatives from Enterprise should you have any further questions.

Sincerely,



Jonathan A. Block

1. BUTL (Utility/Service Body)



2. CUTL (Utility/Service Body 4/5 Conventional)



3. GNCK (Gooseneck Class 4/5 Conventional):



4. CDMP (Dump Body 4/5 Conventional)

