



125th MAINE LEGISLATURE

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Legislative Document

No. 611

S.P. 191

In Senate, February 17, 2011

An Act Relating to Sales Tax on Certain Rental Vehicles

Reference to the Committee on Taxation suggested and ordered printed.

Joseph G. Carleton Jr.

JOSEPH G. CARLETON, JR.
Secretary of the Senate

Presented by Senator TRAHAN of Lincoln.
Cosponsored by Senator: RECTOR of Knox.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §1752, sub-§11, ¶B**, as repealed and replaced by PL 2009, c.
3 434, §22, is amended to read:

4 B. "Retail sale" does not include:

5 (1) Any casual sale;

6 (2) Any sale by a personal representative in the settlement of an estate unless the
7 sale is made through a retailer or the sale is made in the continuation or operation
8 of a business;

9 (3) The sale, to a person engaged in the business of renting automobiles, of
10 automobiles, integral parts of automobiles or accessories to automobiles, for
11 rental or for use in an automobile rented on a short-term basis. For the purposes
12 of this subparagraph, "automobile" includes a pickup truck or van with a gross
13 vehicle weight of less than 26,000 pounds when the sale is made to a person
14 primarily engaged in the business of renting automobiles as defined in subsection
15 1-B;

16 (4) The sale, to a person engaged in the business of renting video media and
17 video equipment, of video media or video equipment for rental;

18 (5) The sale, to a person engaged in the business of renting or leasing
19 automobiles, of automobiles for rental or lease for one year or more;

20 (6) The sale, to a person engaged in the business of providing cable or satellite
21 television services, of associated equipment for rental or lease to subscribers in
22 conjunction with a sale of extended cable or extended satellite television services;

23 (7) The sale, to a person engaged in the business of renting furniture or audio
24 media and audio equipment, of furniture, audio media or audio equipment for
25 rental pursuant to a rental-purchase agreement as defined in Title 9-A, section
26 11-105;

27 (8) The sale of loaner vehicles to a new vehicle dealer licensed as such pursuant
28 to Title 29-A, section 953;

29 (9) The sale of automobile repair parts used in the performance of repair services
30 on an automobile pursuant to an extended service contract sold on or after
31 September 20, 2007 that entitles the purchaser to specific benefits in the service
32 of the automobile for a specific duration;

33 (10) The sale, to a retailer that has been issued a resale certificate pursuant to
34 section 1754-B, subsection 2-B or 2-C, of tangible personal property for resale in
35 the form of tangible personal property, except resale as a casual sale;

36 (11) The sale, to a retailer that has been issued a resale certificate pursuant to
37 section 1754-B, subsection 2-B or 2-C, of a taxable service for resale, except
38 resale as a casual sale;

1 (12) The sale, to a retailer that is not required to register under section 1754-B,
2 of tangible personal property for resale outside the State in the form of tangible
3 personal property, except resale as a casual sale;

4 (13) The sale, to a retailer that is not required to register under section 1754-B,
5 of a taxable service for resale outside the State, except resale as a casual sale; or

6 (14) The sale of repair parts used in the performance of repair services on
7 telecommunications equipment as defined in section 2551, subsection 19
8 pursuant to an extended service contract that entitles the purchaser to specific
9 benefits in the service of the telecommunications equipment for a specific
10 duration.

11 **Sec. 2. 36 MRSA §1752, sub-§17-B**, as amended by PL 2007, c. 410, §2 and
12 affected by §6, is further amended to read:

13 **17-B. Taxable service.** "Taxable service" means the rental of living quarters in a
14 hotel, rooming house, or tourist or trailer camp; the transmission and distribution of
15 electricity; the rental or lease of an automobile; the rental or lease of a pickup truck or
16 van with a gross vehicle weight of less than 26,000 pounds from a person primarily
17 engaged in the business of renting automobiles; the sale of an extended service contract
18 on an automobile that entitles the purchaser to specific benefits in the service of the
19 automobile for a specific duration; and the sale of prepaid calling service.

20 **Sec. 3. 36 MRSA §1760, sub-§21-A**, as amended by PL 2007, c. 627, §47, is
21 further amended to read:

22 **21-A. Certain loaner vehicles.** The use of a loaner vehicle provided by a new
23 vehicle dealer, as defined in Title 29-A, section 851, subsection 9, to a service customer
24 pursuant to a manufacturer's or dealer's warranty, whether the loaner vehicle is provided
25 directly to the service customer or by arranging for a 3rd-party provider of rental vehicles
26 to provide the vehicle to the service customer under a short-term rental agreement
27 between the 3rd party and the service customer with the fee paid by the new vehicle
28 dealer.

29 **Sec. 4. 36 MRSA §1811**, as amended by PL 2007, c. 627, §51 and affected by
30 §96, is further amended to read:

31 **§1811. Sales tax**

32 A tax is imposed on the value of all tangible personal property and taxable services
33 sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed
34 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title
35 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house
36 or tourist or trailer camp; 10% on the value of rental for a period of less than one year of
37 an automobile, including of a pickup truck or van with a gross vehicle weight of less than
38 26,000 pounds rented from a person primarily engaged in the business of renting
39 automobiles or of a loaner vehicle that is provided other than to a motor vehicle dealer's
40 service customers pursuant to a manufacturer's or dealer's warranty; 7% on the value of
41 prepared food; and 5% on the value of all other tangible personal property and taxable

1 services. Value is measured by the sale price, except as otherwise provided. The value of
2 rental for a period of less than one year of an automobile or of a pickup truck or van with
3 a gross vehicle weight of less than 26,000 pounds rented from a person primarily engaged
4 in the business of renting automobiles is the total rental charged to the lessee and
5 includes, but is not limited to, maintenance and service contracts, drop-off or pick-up
6 fees, airport surcharges, mileage fees and any separately itemized charges on the rental
7 agreement to recover the owner's estimated costs of the charges imposed by government
8 authority for title fees, inspection fees, local excise tax and agent fees on all vehicles in its
9 rental fleet registered in the State. All fees must be disclosed when an estimated quote is
10 provided to the lessee.

11 The tax imposed upon the sale and distribution of gas, water or electricity by any
12 public utility, the rates for which sale and distribution are established by the Public
13 Utilities Commission, must be added to the rates so established.

14 Rental or lease of an automobile, or of a pickup truck or van with a gross vehicle
15 weight of less than 26,000 pounds rented from a person primarily engaged in the business
16 of renting automobiles, for one year or more must be taxed at the time of the lease or
17 rental transaction at 5% of the following: the total monthly lease payment multiplied by
18 the number of payments in the lease or rental, the amount of equity involved in any trade-
19 in and the value of any cash down payment. Collection and remittance of the tax is the
20 responsibility of the person that negotiates the lease transaction with the lessee.

21 **SUMMARY**

22 This bill requires a person that is primarily engaged in the business of renting
23 automobiles to collect 10% sales tax on the short-term rental of a pickup truck or van
24 with a gross vehicle weight of less than 26,000 pounds and allows such a person to
25 purchase those vehicles tax-free, as is the case under current law with lighter-weight
26 vehicles purchased for rental.

27 This bill also provides that the tax exemption in current law for the use of a loaner
28 vehicle provided pursuant to a warranty applies regardless of whether the new motor
29 vehicle dealer provides the vehicle directly to the service customer or instead arranges for
30 a 3rd-party rental company to provide the vehicle to the customer.