



February 3, 2025

The Honorable Drew Gattine  
House Chair, Joint Committee on Appropriations and Financial Affairs  
Room 333, State House  
Augusta, ME 04333

The Honorable Peggy Rotundo  
Senate Chair, Joint Committee on Appropriations and Financial Affairs  
3 State House Station  
Augusta, ME 04333

Dear Chair Gattine, Chair Rotundo and Members of the Joint Committee on Appropriations and Financial Affairs:

On behalf of CTIA®, the trade association for the wireless communications industry, I write to express support for Section G of the Governor's budget proposal. This section would repeal the antiquated and redundant "Service Provider Tax" on telecommunications service and move the taxation of telecommunications services to the Sales and Use Tax.

The Service Provider Tax was first enacted in 2003 as a way to avoid federal rules limiting states' ability to draw federal matching Medicaid funds using taxes on health care providers. This original rationale for maintaining a separate Service Provider Tax no longer applies today.

Under the Governor's budget proposal, telecommunications and other services subject to the service provider tax would still be taxable, but under the sales and use tax that is applicable to other taxable goods and services. This change would avoid the requirement that sellers of certain types of services file both sales and use tax returns and service provider tax returns.

For example, wireless companies frequently sell both wireless services and a wireless phone on the same monthly bill. In such cases, a provider must collect the sales and use tax on the sale of the wireless phone while collecting the separate and distinct service provider tax on the sale of the service.

The current system also requires that Maine Revenue Services administer two different taxes and incur the associated expense of administering two taxes.

In addition to administrative simplification and efficiency, the Governor's proposal would resolve current ambiguity in the statutes as to which tax applies to the sale of prepaid calling service. Prepaid calling services are sold by traditional retail merchants as well as telecommunications providers. Retail merchants are generally not required to collect and remit the Service Provider Tax, which is why the legislature clarified in statute that prepaid calling services are subject to the sales tax and not the Service Provider Tax. However, court cases and Maine Revenue Service bulletins have different interpretations of whether prepaid wireless calling service is a prepaid calling service.

For all of these reasons, CTIA and its members appreciate and support this effort by the Governor to bring clarity and administrative simplicity to the taxation of telecommunications services by repealing the Service Provider Tax. We respectfully request that the legislature enact Part G of the Governor's budget proposal.

Thank you for your consideration.

Sincerely,

*Annissa Reed*

Annissa Reed  
Director, State and Local Affairs