

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *Tuesday, February 4, 2025, at 1:00 P.M.*

LD 192 – *“An Act to Exempt from State Sales Tax Utility Vehicles Purchased for Use in Commercial Fishing, Agricultural Production, Aquacultural Production and Wood Harvesting”*

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 192, *“An Act to Exempt from State Sales Tax Utility Vehicles Purchased for Use in Commercial Fishing, Agricultural Production, Aquacultural Production and Wood Harvesting.”*

Under current law, 36 MRSA §2013, a sales tax exemption or refund is available for “depreciable machinery and equipment” that is used “directly and primarily” in qualifying commercial production. The current definition of “depreciable machinery and equipment” expressly excludes a “motor vehicle,” thus making utility vehicles ineligible for the exemption. LD 192 would make utility vehicles exempt under §2013 by including “utility vehicles,” as defined in the bill, within the term “depreciable machinery and equipment.”

One important note on the scope of LD 192 if enacted is that not all “utility vehicles” that meet the special definition of “utility vehicle” in LD 192 would necessarily qualify for the exemption. To meet the “used directly” in qualifying commercial production requirement under current law and MRS Rule 323, the

machinery and equipment must be used in an activity or operation that constitutes an “integral and essential” part of the commercial production activity, as contrasted with and distinguished from activities or operations that are incidental, convenient, or remote to those activities. Generally, products and equipment used in support operations, such as storage activities – including storage transportation – administration, and highway transportation, are not considered as used “directly” in a commercial activity.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.