

**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: *February 12, 2025, Wednesday, at 1:00 PM*

LD 256 – *“An Act to Establish a Sales Tax Holiday for Purchases of Certain
School Supplies for the Month of August”*

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 Against LD 256, *“An Act to Establish a Sales Tax Holiday for Purchases of Certain School Supplies for the Month of August.”*

This bill provides a sales tax exemption for purchases of school supplies and one electronic device during the month of August. I will first note that there is no simple and administrable way to prevent purchasers from buying more than one electronic device by shopping at different stores, or by repeatedly buying one electronic device per transaction at the same store.

The bill defines “school supplies” and “electronic device” to be “specifically intended for use in school” or “for use for school.” Absent additional recordkeeping requirements, a retailer would not be able to determine in good faith the person’s intent to use the item purchased for school or in any other manner or purpose. Without additional clarification, “school supplies” would include canned computer software and other products transferred electronically having a sale price of less than \$50. If “school supplies” incorporates the term “school” as currently defined in 36 M.R.S. § 1752(14-E), it would include supplies intended for

postsecondary educational programs, including graduate school and adult educational programs. The exemption would apply to lease or rental payments for school supplies and electronic devices in August, while payments made in any other month would be taxable. Also, the exemption applies to goods with a certain “taxable value”; the bill should instead use the term “sale price” as defined in 36 M.R.S. § 1752(14).

The Streamlined Sales and Use Tax Agreement (“SSUTA”) provides definitions for both “school supplies” and “computer” and permits member states to allow sales tax holidays for those items. Maine is not a SSUTA member, but adopting SSUTA definitions and guidance would reduce uncertainty and complexity in administering such a sales tax holiday.

The Administration has supported numerous tax relief proposals targeted to low- and middle-income households; expanded Property Tax Fairness Credit, Earned Income Tax Credit, making the Child and Dependent Exemption Credit refundable. Increasing the Sales Tax Fairness Credit may be a less expensive and targeted approach to assist taxpayers overburdened by the sales tax on school supplies.

The preliminary estimated fiscal impact is a revenue loss is as follows:

Fiscal year	2025	2026	2027	2028	2029
<i>Impact by fund</i>					
General Fund	0	0	-2,155,000	-2,011,000	-2,065,000
Local Government Fund	0	0	-113,000	-106,000	-109,000

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.