
Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation

April 2, 2025

In Support of LD 1211, *“An Act Regarding Certain Definitions in the Sales and Use Tax Laws Affecting Rental Equipment and Automobiles Used in Transporting Goods”*

Senator Grohoski, Representative Cloutier, and distinguished members of the Joint Standing Committee on Taxation, my name is Nate Cloutier, and I am here today on behalf of HospitalityMaine, representing Maine’s restaurant and lodging industries. I am also submitting comment on behalf of the Maine Tourism Association (MTA). MTA has been promoting Maine and supporting members in every type of tourism business, such as lodging, restaurants, camps, campgrounds, retail, guides, tour operators, amusements, and historical and cultural attractions for over 100 years. HospitalityMaine and the Maine Tourism Association support LD 1211, *“An Act Regarding Certain Definitions in the Sales and Use Tax Laws Affecting Rental Equipment and Automobiles Used in Transporting Goods.”*

We’d like to express our gratitude to Senator Farrin for introducing LD 1211 and to this committee for its consideration. Many businesses in our sector have voiced significant concerns regarding legislative changes made near the conclusion of the 131st Legislative Session—particularly those related to the taxation of leases and rentals of tangible personal property.

In addition to LD 1211, we understand that this committee will also be reviewing LD 1330, a similar bill from Representative Ducharme, concerning the taxation of software. Maine Revenue Services (MRS) has also recently initiated Routine Technical Rulemaking (2025-P029) Ch. 326, Leases and Rentals of Tangible Personal Property. The rules governing this change were expected to be finalized by January 1, 2025, however, a comment deadline is now set for April 21, 2025.

We strongly support the provision in LD 1211 that revises the definition of “lease or rental” to exclude tangible personal property used solely at the primary business location of the lessor. When the previous legislation was passed, it was widely understood by stakeholders (including our industry) that the scope of

these changes were limited to specific types of heavy equipment and would not broadly impact businesses in the hospitality and tourism sectors.

Unfortunately, this new interpretation imposes an unexpected and significant tax burden on businesses that rely on equipment rentals as part of their operations, including golf courses, ski resorts, bowling alleys, bicycle rental shops, and more. The requirement to impose recurring sales tax on each rental—whether for golf carts, ski equipment, bowling shoes, bicycles, or other items—has led to a substantial tax increase, potentially amounting to tens of millions of dollars annually. Notably, approximately 75% of golf rounds played in Maine are by residents, meaning this tax disproportionately impacts Mainers across many sectors.

Beyond the financial burden, there are significant compliance challenges. As of this year, businesses are lawfully required to collect sales tax on every rental transaction, yet the formal rules clarifying which industries and types of equipment are subject to taxation have not been finalized. We are concerned that many businesses remain unaware of this obligation. Additionally, we are troubled by the prospect of these businesses possibly being at risk of fines and penalties for noncompliance, despite the absence of finalized rules.

Historically, industry associations serve as key channels for informing businesses about regulatory changes. Given that even we were unaware of the full implications of this tax shift, we are deeply concerned that many Maine businesses are currently operating without the necessary knowledge to comply. This creates an unfair situation where employers may face penalties for failing to collect a tax that was neither clearly communicated nor properly defined.

The sweeping nature of these changes, the unintended financial impact on Maine consumers and businesses, and the lack of adequate communication and implementation time all warrant reconsideration. We urge the committee to restore the prior policy of a one-time sales tax payment on property at the point of purchase, while preserving the intended taxation of specific heavy equipment rentals.

Maine's hospitality and tourism industries are cornerstones of the state's economy. Legislative changes of this magnitude must receive thorough review and stakeholder input to ensure they do not inadvertently harm businesses and consumers.

For these reasons, we respectfully urge you to vote Ought to Pass on LD 1211. Thank you for your time and consideration. We look forward to working with you on this important issue.