

**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: *April 23, 2025*

LD 1475 – “*Resolve, to Establish the Commission to study the Taxation of Digital Assets*”

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 1475, “*Resolve, to Establish the Commission to Study the Taxation of Digital Assets.*”

This resolve establishes the Commission on Taxation of Digital Assets to review and evaluate tax policies for the taxation of digital assets (e.g., cryptocurrency and nonfungible tokens [NFTs]), including the tax policies in other states and recommend possible approaches for the taxation of digital assets in this State. The Commission is required to submit a report and suggested legislation by December 3, 2025, to the Joint Standing Committee on Taxation, which is authorized to submit legislation based on the report to the Second Regular Session of the 132nd Legislature. The Commission is composed of 10 members, including Legislators, members with experience in taxation, and members representing the business community. The Legislative Council is required to provide staffing support.

Maine conforms to the federal income tax treatment of digital assets. For federal and Maine income tax purposes, digital assets are considered property, not currency. Digital assets including convertible virtual currencies and

cryptocurrencies, stablecoins, and NFTs are subject to income tax when sold, disposed, or exchanged. Digital assets used for personal or investment purposes are treated as capital gain or loss when sold or disposed. The general tax principles that apply to property transactions apply to transactions using digital assets.

This is a complex area of taxation and deviation from federal taxation is not recommended.

For Sales, Use, and Service Provider tax purposes, determining whether a specific cryptocurrency, NFT, or similar digital asset is treated as intangible or tangible personal property (i.e., a digital product transferred electronically) requires a fact-specific inquiry.

The Administration notes that LD 1286, presented this Session by Senator Bradstreet of Kennebec, and referred to the Health Coverage, Insurance and Financial Services Committee, proposes to establish a Commission to Study Fostering a Positive Economic Environment for Blockchain Technology and Cryptocurrency.

The Administration also notes the report date of December 3, 2025, may not be feasible given the likely effective date of legislation enacted this session.

The preliminary estimated revenue impact is negligible. The preliminary estimated administrative costs are nominal and can be absorbed within the current budgetary allotments.

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.