

**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, Wednesday at 1:00 P.M.*

LD 1505 – “*An Act to Phase out the Sales and Use Tax*”

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 1505, “*An Act to Phase out the Sales and Use Tax.*”

This bill would reduce each sales tax rate by 1/2 of a percentage point every 2 years, beginning January 1, 2026, until the rate is 0% for each category of tangible personal property or taxable service subject to sales tax. If enacted, the rate of 5.5% would be finally reduced to 0% in 2046, and the rate of 10% would reach 0% in 2064. The bill would also biennially require the assessor to submit to the Taxation Committee a bill codifying reduced rates—it should be amended to instead require that the bill be submitted by the Department of Administrative and Financial Services.

If the bill is enacted, MRS would be required to update the Sales and Use Tax Return every two years. Administrative costs are under review but would be potentially substantial. With respect to fiscal impact, the sales and use tax currently raises \$2.4 billion on an annual basis.

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.