

**TESTIMONY OF
Brian Parke
L.D. 1602, "An Act to Remove the
Exemption from Sales and Use Tax for
Automobiles Purchased for Use as Rentals"**



Good afternoon, Senator Grohoski, Representative Cloutier, and members of the Committee on Taxation. My name is Brian Parke and I am the President and CEO of the Maine Motor Transport Association and a resident of Brunswick. The Association is comprised of more than 1,870 member companies, whose employees make up a large portion of the almost 34,000 people who make their living in the trucking industry in Maine.

We aren't really sure what category to testify under, so in the absence of knowing the disposition of other legislative and rulemaking efforts, we are here testifying in opposition to LD 1602.

Under current law, some vehicles that are primarily used to transport freight fall under the Title 36 definition of an **automobile**.

*Title 36 MRSA, Part 3: SALES AND USE TAX, Chapter 211: GENERAL PROVISIONS
§1752. Definitions 1-B. Automobile. "Automobile" means a self-propelled 4-wheel motor vehicle designed primarily to carry passengers and not designed to run on tracks.
"Automobile" includes a pickup truck or van with a gross vehicle weight rating of 10,000 pounds or less.*

This is important because short-term rental of **automobiles** are charged sales tax at 10% when rented. MMTA has worked with MRS to clarify that vehicles used to transport freight, regardless of their GVWR, should be taxed at the 5.5% sales tax rate for short-term rentals because these are business-to-business transactions and they were not intended to be charged the increased 10% rate when the new law was implemented on January 1, 2025.

We are pursuing two avenues to implement this clarification. LD 1211 would change the Title 36 definition of automobile and Chapter 326 Rulemaking (currently underway with a comment deadline extended to sometime in May) would clarify that the short-term rate does not apply to the short-term rental of cargo vans.

Both solutions would satisfy our concerns, but LD 1602 throws another wrinkle in our analysis. Our position on this bill is completely dependent upon a crystal ball telling us the outcome of LD 1211 and the outcome of the Chapter 326 Rulemaking. Here is a breakdown of our resulting positions under a few scenarios:

- a. Assuming LD 1602 passes without amendment and LD 1211 passes. We would be okay with that outcome because the definition of automobile would not include our freight-carrying vehicles under 10,000 GVWR.
- b. Assuming LD 1602 passes without amendment and LD 1211 fails, but Chapter 326 Rulemaking concludes without amendment. We would be strongly opposed to LD 1602 because cargo vans under 10,000 GVRW would still be included in the Title 36 definition of “automobiles” which would mean the lessors would then include the 5.5% sales tax they would pay on the purchase price of the cargo van in the lease/rental of that vehicle PLUS charge 5.5% sales tax on all of the lease payments.
- c. Assuming LD 1602 passes without amendment, LD 1211 fails and Chapter 326 Rulemaking concludes without addressing our cargo van concern. We would be vehemently opposed to LD 1602 because cargo vans under 10,000 GVRW would still be included in the Title 36 definition of “automobiles” which would mean the lessors would then include the 5.5% sales tax they would pay on the purchase price of the cargo van in the lease/rental of that vehicle PLUS charge the higher 10% sales tax on all of the lease payments.

With that, MMTA stands ready to work with the proponents of the bill to address our concerns and the related impacts of LD 1211 and the rulemaking process.

Thank you for your consideration and for allowing us to testify today. I would be happy to answer any questions the Committee may have now or at work session.