

**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 1547 – *“An Act to Use a Portion of the Sales Tax on Snowmobiles to Fund
Maine’s Snowmobile Trail Programs”*

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 1547, *“An Act to Use a Portion of the Sales Tax on Snowmobiles to Fund Maine’s Snowmobile Trail Programs.”*

This bill requires 40% of sales and use tax revenue collected with respect to snowmobiles to be credited to the Snowmobile Trail Fund of the Department of Agriculture, Conservation and Forestry, Bureau of Parks and Lands.

Currently, the Department of Inland Fisheries and Wildlife (IFW) is responsible for collecting the use tax due with respect to watercraft, snowmobiles, and all-terrain vehicles (ATVs) for which an original registration is required. IFW provides a monthly report to MRS to identify the amount of use tax it collected on watercraft, snowmobiles and ATVs, which MRS staff then credits to the General Fund.

To facilitate the transfer proposed in this bill, MRS would need to add a line to both the use tax return and the sales tax return, specific to reporting the tax on

sales of snowmobiles; 40% of the total amount reported on those lines would be transferred to the Snowmobile Trail Fund.

The casual sale of a snowmobile to a nonresident individual, however, is exempt from use tax, meaning IFW would not collect use tax on the registration of a snowmobile, purchased at casual sale, by a nonresident pursuant to 36 M.R.S. § 1760(25-C). These sales would generate no revenue for the fund.

Turning to technical concerns, the bill should be amended to include an effective date. The committee should also note that the same sales tax receipts are included in the 5% transfer to the Local Government Fund (without any reduction) pursuant to 30-A M.R.S. § 5681(5). As such, the bill should state whether the Snowmobile Trail Fund transfer amount equals 40% of those sales tax receipts before or after they are reduced by the Local Government Fund transfer amount. Further, the bill should specify the timing and frequency of required transfers, and that the amount transferred must be certified by the State Tax Assessor. For model language, see 36 M.R.S. § 1821 (requiring that certain automobile-related sales and use tax revenue be transferred to the Local Government Fund prior to the Highway Fund).

This bill appears to be patterned on the current transfer of 40% of the 5.5% sales tax remitted by new and used automobile dealers licensed by the Bureau of Motor Vehicles and use tax collected by municipalities from casual sales to the Highway Fund. Adding a line to the sales tax return to breakout sales of snowmobiles will complicate what has historically been a relatively easy tax return for retailers to complete.

If the Committee seeks to allocate additional funds to the Snowmobile Trail Fund, it should do so as a direct appropriation rather than dedicating 40% of sales tax revenue from snowmobile sales.

The fiscal impact estimate is not available at this time.

The administrative cost estimate is not available at this time.

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.