

**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: *Tuesday, February 14, 2023, 1:00 PM*

L.D. 287 – *“An Act to Support Parents by Providing a Sales Tax Exemption for Diapers”*

Senator Grohoski, Representative Perry, 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 here today at the request of the Administration to testify Neither For Nor Against L.D. 287, *“An Act to Support Parents by Providing a Sales Tax Exemption for Diapers.”*

This bill would create a sales tax exemption for disposable and reusable diapers for children. Currently, Maine is the only New England state with a sales tax that does not exempt diapers. In the 130th session, L.D. 1335 was proposed to create a sales tax exemption for diapers and menstrual products. The House and Senate later amended the bill to remove the diaper exemption; ultimately, the menstrual products exemption was enacted as part of the budget.

Unlike a similar bill proposed in the 129th session, L.D. 863, this language would not exempt diaper covers, wraps, and pins that are used with reusable diapers. It is unclear whether this bill is intended to exempt other child-aged diaper-like products, such as “training pants,” “swimming diapers,” or “Pull-ups®.” The proposal does not include a definition of children, possibly relying on the default definition of “children” found in Title 1, which would mean diapers “for” any person under the age of 18 would be exempt. The lack of a clear

definition could complicate the determination of whether an adult-size diaper, purchased for use by a teenage minor, is taxable. For the Committee's consideration is the Streamlined Sales Tax and Use Tax Agreement definitions of "diaper" and "children's diapers" used by 24 states.

According to the National Diaper Bank, a sales tax exemption for children's diapers in Maine would save Maine taxpayers approximately \$60 a year per child. The exemption would narrow an already narrow sales tax base and grant benefits to all taxpayers, regardless of their ability to pay. While every little bit can help, \$60 is unlikely to be enough assistance for someone struggling to purchase diapers for their child. At the same time, families that can afford to purchase more, and more expensive, diapers would receive a comparatively larger tax benefit. Instead, the Administration would recommend an increase in the Sales Tax Fairness Credit because of the credit's ability to provide targeted sales tax relief to low and lower-middle income households.

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.

Attachment – Streamlined Sales Tax Definitions

“Diaper” means an absorbent garment worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements.

“Children’s diapers” means diapers marketed to be worn by children.

“Adult diapers” means diapers other than children’s diapers.