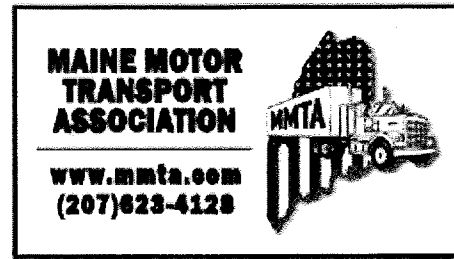


**TESTIMONY OF Brian Parke
L.D. 2000, "An Act to Change the Taxation
of Rental Tangible Personal Property to
Make It Consistent with the Predominant
Method in Other States' Rental Industry
Laws for Sales and Use Tax"**



Good afternoon, Senator Grohoski, Representative Perry, and members of the Taxation Committee. 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 1,740-member companies, whose employees make up a large portion of the 34,000 people who make their living in the trucking industry in Maine.

I am here today to testify neither for nor against LD 2000.

This bill would change the tax of rental property from a tax on the initial purchase of an item intended to be rented or leased to a tax on the lease stream of the item, making the method of taxation in Maine similar to how the majority of other states handle this tax. As you can see, the bill is broad, and involves the rental or lease of everything from a portable cement mixer to an excavator and potentially a truck tractor.

To be clear, MMTA does not object to streamlining the process of taxation if the result is equitable for all involved, it does not result in higher costs of doing business, and it does not favor leasing over purchasing or vice versa. We have worked closely with the proponents of this bill and have appreciated the opportunity to share our perspectives – with our main objective to “first do no harm.”

In the Trucking Industry, our members either purchase their trucks from a truck dealer or they lease or rent their trucks from truck leasing business who are in the business of renting or leasing. Owning and leasing each have their own benefits to a trucking company, and is a business decision based on the strategic benefit that each financing method may offer a motor carrier and their specific operational needs.

The bill would not change the current options for motor carriers when obtaining trucks and truck tractors, but it would change the taxation method for the Lessor from an up-front tax on

a leased truck which is built in to the lease price over time, to a tax on the revenue stream over the term of the lease. If this bill is passed, our members will continue to look at their equipment procurement options and will decide on what is best for them. We will remain vigilant, however, that the resulting legislation being discussed today does not meaningfully tip the scales in favor of leasing versus purchasing because we have member companies that do both.

The current version of language in Section 3 of the bill, subsection 10-A (F) would exclude from the definition of Retail lease or rental "The lease or rental of trucks or truck tractors from a person primarily engaged in the business of leasing or renting trucks and truck tractors." This language was inserted at our initial request, in our effort to "first do no harm" and maintain the status quo. As interested parties have met to work on the bill language, however, we have come to understand that there may be benefits to removing the exception in paragraph F as was originally proposed. The benefit may be for those motor carriers who are involved in interstate commerce and are currently leasing their trucks who are not currently eligible for the Interstate Sales Tax exemption – see 36 MRSA §1760 (41-A Certain instrumentalities of interstate or foreign commerce). Treating a lease as a "retail sale", may make those companies now eligible for Maine's Interstate Sales Tax exemption. This would obviously be a benefit to those interstate companies.

All this is to say that MMTA will continue to work with interested parties on this bill and that we do not object to the intent of the bill which is to streamline the taxation process and make the leasing and rental of property in Maine similar to how it is done in other states. We do, however, wish to proceed cautiously to avoid the potential unintended consequences of passing such a major change in tax law.

Thank you for your consideration and for allowing me to testify. I would be happy to answer any questions the committee has now or at the Work Session.