



# HOUSE OF REPRESENTATIVES

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### *Testimony of Rep. Maureen Terry presenting*

### **LD 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**

### *Before the Joint Standing Committee on Taxation*

Senator Grohoski, Representative Perry and esteemed members of the Taxation Committee, I am Maureen Terry, representing part of Gorham in House District 108. I am here to present **LD 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.**

Today, Maine sales tax policy regarding how we treat retailers puts us out of step with the rest of the country. If you're working for a construction company and need a specific type of machinery to complete an affordable housing project, but don't need that equipment beyond the project, Maine's current sales tax structure makes it incredibly confusing to know where the sales tax applies. Here in Maine, we have different rules based on the type of business you are operating. In fact, Maine is one of only two states in the country with this inconsistent policy.

This causes confusion and frustration for everyone involved. Tax payers, large and small struggle to navigate this unnecessary complexity. It's also a problem for MRS administratively and for others trying to understand what is expected of them. That is why almost every other state in the nation has done what this bill is proposing to do.

LD 2000 modernizes and streamlines the sales tax process by bringing more retailers under the same policy umbrella. Specifically, all businesses that purchase tangible personal property that they subsequently will sell, lease or rent will be treated the same.

- The ultimate consumer transactions will all be subject to the sales tax. This puts all levels of retail transactions on the same playing field. This creates certainty for business and transparency for end consumers.

- This bill will lead to better compliance as everyone follows the same rules. This is especially important to our small businesses in Maine that often struggle to comply with the rules in place for different types of business transactions.
- This also removes a significant amount of administrative work for larger national and regional businesses that regularly move tangible personal property in and out of the state.

In order to remove any potential double taxation, this bill allows for a three-year lookback and allows a credit/refund for any use tax paid by an impacted retailer on purchases they made of any tangible personal property during that time. In order to qualify, the tangible personal property must continue to be in the lease inventory or rental fleet after January 1, 2025, the effective date for this bill.

Maine Revenue Services will have full rulemaking authority to implement the new policy and develop any necessary forms and guidance.

LD 2000 has been well vetted over the past year and includes input from various businesses (large and small) and several different associations and Maine Revenue Services. As a legislator, it gives me great pleasure to sponsor a bill that represents voices from such a large stakeholder community and gives me confidence that this is the right policy.

You will hear testimony from others and they may be better suited to answer any technical questions you may have on this bill.