

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *February 6, 2024*

LD 2076 – “*An Act to Exempt from Excise Tax Vehicles of Active Duty Service
Members Stationed Out-of-state*”

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Peter Lacy, Staff Attorney with the Office of Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 2076 - “*An Act to Exempt from Excise Tax Vehicles of Active Duty Service Members Stationed Out-of-state.*”

Current law exempts from excise tax all vehicles owned by active-duty military who are permanently stationed in Maine. This bill expands eligibility for the excise tax exemption to include all vehicles owned by active-duty military who are permanently stationed outside the State or who are deployed for more than 180 days. Note that this exemption applies to all vehicles owned by an eligible servicemember, including those owned jointly with the individual’s spouse.

The bill also amends the exemption to include members of the National Guard and the Reserves of the United States Armed Forces, who were previously excluded from the exemption. Finally, the bill repeals a provision of law that allowed municipalities the option of establishing a similar exemption by ordinance.

This is one of a number of bills the Committee has heard addressing excise and/or property taxes as they relate to active-duty military or veterans. MRS remains

concerned with the complexity of the treatment of property taxes, including vehicle excise tax, for this group. We would recommend a comprehensive review of all the related tax programs for military members/veterans in order to simplify benefits for those individuals, as well as streamline administration of the programs for MRS and municipalities.

From a technical perspective, the bill should clarify how to calculate the 180-day period to qualify for exemption. I'll point out as well that, because this is an excise tax exemption, there is no requirement for reimbursement by the State and passage of the bill would result in a loss of revenue for affected municipalities.

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.