

**TESTIMONY OF  
PETER W. LACY, STAFF ATTORNEY FOR THE OFFICE OF TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *Tuesday, February 6, 2024, at 1:00 P.M.*

L.D. 2143 – “*An Act to Dedicate the Revenue from the Sales Tax on Electricity to Low-income Ratepayer Assistance*”

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Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Peter Lacy, Staff Attorney for the Office of Tax Policy in the Department of Administrative and Financial Services. I am here today at the request of the Administration to testify Against L.D. 2143, “*An Act to Dedicate the Revenue from the Sales Tax on Electricity to Low-income Ratepayer Assistance.*”

The bill would dedicate 100% of the tax revenue collected on sales of electricity to the Low-Income Assistance Program, administered by the Maine State Housing Authority. The Low-Income Assistance Program allows certain low-income homeowners and renters to receive a credit on their electric bills.

Under the Sales Tax Law, electricity is taxable as a sale of tangible personal property, but the transmission and distribution of that electricity is taxable as a taxable service. As written, the bill would not transfer the tax imposed on the transmission and distribution of electricity. Additionally, MRS currently has no way to determine the amount of tax collected from “actual sales” of electricity for the first transfer proposed to occur on October 1, 2024. That transfer would require the sales tax on sales of electricity reported in the last six months of the prior fiscal year – which would be sales reported between January 1 and June 30, 2024. As taxable sales of electricity are generally reported in aggregate with all

other sales that are taxable at the 5.5% rate, MRS would be required to add at least two new informational lines to the Sales Tax Return – but would have no way of applying those changes to sales tax returns that have already been filed. The first transfer that could be made after adding the new lines to the Sales Tax Return could be the October 1, 2025 transfer, to cover sales tax on electricity reported on Sales Tax Returns for the periods January 1 through June 30, 2025.

This proposal brings additional complexity to the Sales Tax Return, and possibly confusion to businesses filing the return about the proper line to report taxable sales. The targeting of revenue sources not only reduces flexibility in how General Fund revenues are appropriated but makes programs reliant on unstable revenue sources that may or may not support the program's objective in future years.

A preliminary General Fund revenue impact is -\$17.5 million per year with the first full year impact beginning in FY26. As the Governor noted in the written portion of her State of the State Address, "If we don't budget responsibly now, the Legislature will be forced to make painful cuts in the future-just like other states are having to do now."

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.