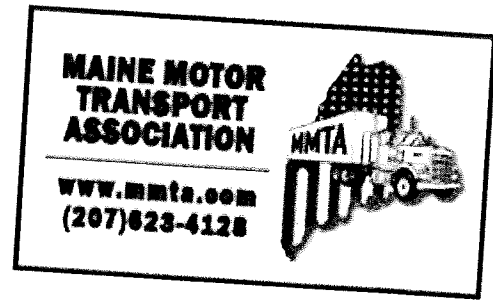


**TESTIMONY OF BRIAN PARKE
LD 2214: An Act to Make Supplemental
Appropriations and Allocations for the
Expenditures of State Government, General
Fund and Other Funds and to Change
Certain Provisions of the Law Necessary to
the Proper Operations of State Government
for the Fiscal Years Ending June 30, 2024
and June 30, 2025**



Good afternoon, Senator Rotundo, Representative Sachs, and members of the Appropriations and Financial Affairs 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 in qualified support for Part H of LD 2214 that makes changes to the sales and use tax provisions of Maine's statute. Specifically, the proposal to 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.

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.

Our testimony today is similar to that of LD 2000 already delivered to the Taxation Committee last month. Our guiding principles on this effort is that MMA 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 met with Maine Revenue Services to make sure Part H accomplishes these goals and we feel confident that our objectives align. One issue that still raises concerns for us is the proposal to have the higher 10% sales tax rate apply to all leases and rentals for a period of less than one year on trucks with a gross vehicle weight rating under 26,000 pounds. In talking with MRS, their objective was not to increase the tax rate on business-to-business transactions and, if not identified as such, the current language in Part H would increase the sales tax on certain transactions from 5.5% to 10%. One idea that we have floated to differentiate business and consumer transactions is to allow for the current 5.5% rate on such leases if the lessor has or is operating under a valid DOT number, which is assigned to businesses operating in commerce. We would also suggest stipulating that the 10% rate applies to rentals less than one year of a truck or van with a gross vehicle weight of less than 10,001 pounds instead of the current 26,000 GVW threshold. FMCSA requirements start for businesses at 10,001 pounds and this would be an alternative to our DOT number suggestion. Regardless of the specific solution that results, we are committed to working with MRS to find an appropriate way to differentiate between renting/leasing to businesses and renting/leasing to consumers at the higher tax rate.

Another concern that we would like to express is the refund authorized under section H-31. While we understand the need for a reasonable refund timeframe, we point out the fact that LD 2000 provides a 3-year refund period where Part H of LD 2214 proposes only 2-years and obviously our preference would be to extend the lookback period to as long as is practical and feasible. Whether it is 2-years, 3-years, or another period of time, lessors who have already paid sales tax on the purchase price will likely not be made whole on the up-front tax they paid on equipment purchase before January 1, 2025. Making this worse is the reimbursement mechanism that requires taxable transactions after 1/1/25 in order to be included in a refund request. This is problematic for leases/rentals to non-profits and tax-exempt entities (such as the State or Municipalities) where tax is not charged. We are confident that this was not the objective of the refund authorization component of Part H and we would like to work with MRS on finding solutions to this as well.

Aside from these concerns, there are aspects of this bill that we appreciate and thank the Governor for including. Making Maine consistent with other states, the continued exclusion of the 12% Federal Excise Tax as part of the sale price (whether leases or purchases), and the

positive effect it would have on the definition of a sale when it comes to leases, are important components that deserve support.

MMTA stands ready to address our concerns by working proactively with the Department and/or the Committee.

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.