**Testimony of Linda Caprara
On Behalf of the Maine State Chamber of Commerce in support of
L.D.1330, An Act to Clarify That a Business's License or Subscription to Use Software is Not
Considered a Lease for Purposes of Sales and Use Tax.
April 9, 2025**

Good Afternoon, Sen. Grohoski, Rep. Cloutier and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara. I am the Vice President of Advocacy at the Maine State Chamber of Commerce. I am here to testify in support of L.D.1330, An Act to Clarify That a Business's License or Subscription to Use Software is Not Considered a Lease for Purposes of Sales and Use Tax. We would like to thank Rep. Ducharme for submitting this important piece of legislation.

This bill amends the definition of "lease or rental" to clarify leases, licenses, subscriptions or similar rights to use or access software are not considered leases or rentals if the user is a business under the sales and use tax law.

Last session, the Legislature enacted a huge tax increase on Maine businesses in the Supplemental Budget bill L.D. 2214, by applying the sale and use tax of 5.5% to any "canned" software that companies lease, license, or subscribe to. This tax increase took effect starting on January 1, 2025. L.D. 2214 shifted the tax burden from the "lessor" to the "lessee" (buyer), and Maine businesses and consumers will now bear the burden of the tax. The Maine State Chamber of Commerce supports amending the law to eliminate the applicability of business-to-business transactions.

In addition, shifting the tax from the lessor to the lessee will become an administrative nightmare for companies that have to apportion the cost of software amongst numerous locations. Imagine a business that licenses the software at its Maine Headquarters but the software is used by its employees worldwide. How will the tax be apportioned?

Again, we urge this committee to reverse this tax and exclude business-to-business transactions from the sales tax. We would be happy to answer any questions.