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THE MAINE SENATE
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**Joint Standing Committee on Taxation on
LD 1419, An Act to Provide a Sales Tax Exemption for Housing Constructed
Off-site Similar to That for On-site Construction
April 16, 2025**

Senator Grohoski, Representative Cloutier, and esteemed members of the Joint Standing Committee on Taxation: I am Senator Rick Bennett of Oxford, and I have the honor of serving 14 communities in Western Maine in the State Senate. I am pleased to sponsor LD 1419, "An Act to Provide a Sales Tax Exemption for Housing Constructed Off-site Similar to That for On-site Construction."

In my district not long ago there used to be a vigorous manufactured housing industry which employed more than 1,000 people. Centered in the Oxford Hills, we had five manufacturing plants, many retailers, haulers, set-up crews, installers, parts and supply businesses. Unfortunately, this industry was essentially wiped out with the housing crisis during the Great Recession. Today, there is only one of those five manufacturers still in operation. At the same time, of course, we have a serious housing crisis. It has been estimated that we need 80,000 homes by 2030 to meet demand. One of the Legislature's top priorities this session is increasing the availability, while lowering the cost, of housing. LD 1419 is one way to do just that.

Late last year I, along with other state officials, had a meeting and went on a tour of KBS Homes in South Paris. The president of the company Thatcher Butcher told us one of the most significant issues KBS faces is the tax rate on offsite construction. Manufactured homes have an unfair tax burden on the manufacturer which dramatically brings up the cost compared to site-built homes. Due to this tax rate on manufactured housing (50% sales tax exemption), it is difficult for this industry to compete in fulfilling the demand for new housing.

Producers of both offsite and site-built homes have to pay taxes on all raw materials. However, when the site builder turns the new home over to the buyer, there is no tax. Factory producers have to pay 50%, putting manufactured housing at a significant disadvantage.

After learning of this problem, I met with Director Mike Allen of Maine Revenue Services and leaders in the Governor's office to discuss solutions. This rate has not changed since 1987. The purpose of the law was to tax manufactured and stick-built homes equally. As it works now, if the modular home sells directly to the consumer, the taxes are similar to stick-built home. However, when the modular home is sold to someone in between the builder and consumer – much more common now – the 50% rule comes in, dramatically raising the price of these homes.

Many years ago, I worked in sales for one of the manufactured housing factories in my district. When I was in this business, we collected sales taxes on 50% of the invoice price of the home, as we sold products wholesale, which then seemed reasonable. But Maine Revenue Services looked up the 50% exemption rate and couldn't determine where that number came from. The world has changed a lot since 1987, and this system is in need of review. Hence the bill before you which proposed to cut the sales tax in half, so that it will be collected on 25% of the invoice of the unit being manufactured instead of 50%.

Because of the various ways that modular components are used in building housing solutions, finding the "perfect" rate is elusive. That being said, we cannot wait any longer with this housing barrier in place. Increasing the exemption rate will undoubtedly yield a fairer rate, allowing factory-built housing to compete better against site-built homes.

We have the opportunity to kick-start the rebuilding of the manufactured housing industry in Maine. Two of the former plants in the Oxford Hills are still available to be brought online to meet our housing needs. What could be better than to breathe new life into this industry so that manufactured homes and modules, constructed with Maine materials by Maine people will be once again a housing solution for the people of our state?

Thank you for your consideration. This issue has some complexity, and I will be pleased to work with the committee before and during work session.

I urge you to support LD 1419 and would be happy to answer any questions.