



Supporting LD 1419

Why update Maine's modular sales tax calculation?

NORMALIZING THE MATERIALS' SALES TAX
(BETWEEN SITE-BUILT AND MODULAR) WILL
MEANINGFULLY IMPROVE AFFORDABILITY

*Nearly 75% of U.S. Households
Cannot Afford a Median-Priced New
Home in 2025....
A \$1,000 increase in the median price
of new homes would price an
additional 115,593 households out
of the market*

NAHB 2025 - NATIONAL NUMBERS (WITH EMPHASIS ADDED)
MAINE'S CHALLENGES FOLLOW NATIONAL TRENDS

A historical “hard coded” percentage of modular component costs as “materials” - is no longer accurate

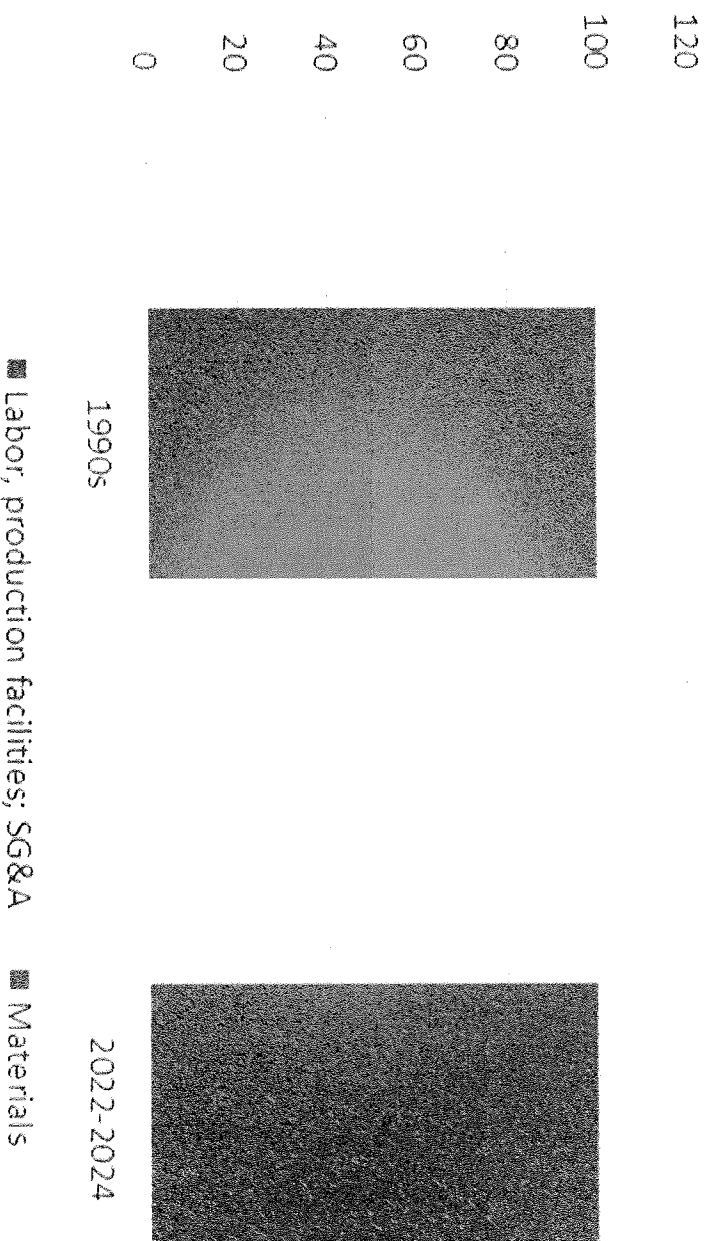
Historically 50% was a “hard-coded” % of costs designated as materials, and therefore having a sales tax. That % may have been correct at one point in time

It is no longer accurate With higher complexity, higher wages, and consolidated/professional buying of materials, the more efficiently built offsite-constructed modular “boxes” now have a materials-cost-component of 25% (not 50%)

This is a 3- year average from KBS (Maine’s largest modular factory)

Normalizing the sales tax calculation (site-built to offsite-construction) is critically important to improving affordability for Maine’s households

materials % of modular-costs has declined



Source KBS

What does this mean to a Maine household buying a new house

OLD SCENARIO (50% OF TOTAL COST IS PRESUMED TO BE MATERIALS)

Per box = \$2398 in sales tax

Source: 3-year average for
KBS

PROPOSED CHANGE (25% OF TOTAL COST IS MATERIALS)

Per Box = \$1199 in sales tax

HH Savings = \$1199/box

How important can savings of ~\$1199/modular box* be towards improving housing affordability?

Grossed-up \$1600-6500 per home in improved affordability (aka lower costs) is highly meaningful to many buyers

House size	Adjusted base-line sales tax "savings" for home-owner	"Savings" after GC profit margin of 11% (source NAHB 2024)	"Savings" after Developer profit margin of 15%	"Savings" after Realtor Fee of 6%	NB: These are just the most common "gross up" categories other soft costs could increase based on total project costs
1 box (3 year average) = 527 sq. ft	\$ 1,199	\$ 1,331	\$ 1,531	\$ 1,622	
2 boxes = 1054 square feet	\$ 2,398	\$ 2,662	\$ 3,061	\$ 3,245	
3 boxes = 1581 square feet	\$ 3,597	\$ 3,993	\$ 4,592	\$ 4,867	
4 boxes = 2108 square feet	\$ 4,796	\$ 5,324	\$ 6,122	\$ 6,489	

* source: KBS 3 year average (box size varies year by year; content varies depending on materials selected - this is average)