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April 16, 2025

Senator Nicole Grohoski, Chair
Representative Kristen Cloutier, Chair
Members of the Taxation Committee

RE: Testimony in SUPPORT of LD 1504, An Act to Support Small Businesses by Providing a Refundable Tax Credit to Certain Businesses to Offset Credit and Debit Card Transaction Fees

Dear Senator Grohoski, Representative Cloutier and members of the Taxation Committee:

The Maine Grocers & Food Producers Association and the Retail Association of Maine are providing joint testimony in support of LD 1504, An Act to Support Small Businesses by Providing a Refundable Tax Credit to Certain Businesses to Offset Credit and Debit Card Transaction Fees. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise and specialty retailers, convenience stores, distributors, and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers.

Credit and debit card transaction fees—commonly known as "swipe fees"—have become a significant financial burden for small businesses. Since the onset of the COVID-19 pandemic, these fees have surged by approximately 70%, reaching a record \$172 billion in 2024. For many merchants, swipe fees are now the highest operating cost after labor, often surpassing expenses like rent, or health insurance for employees.

These fees, typically ranging from 3% to 4% per transaction, are particularly onerous for small businesses with narrow profit margins. The shift towards cashless transactions during the pandemic has further intensified this issue, leaving small businesses with limited options to mitigate these costs.

LD 1504 offers a pragmatic approach to alleviate this burden by providing a refundable tax credit to eligible businesses with annual gross sales under \$2.4 million. The credit would be equal to the lesser of the actual transaction fees paid or 2.5% of the sales tax remitted to the state.

This measure acknowledges the vital role small businesses play in Maine's economy and seeks to support them in managing unavoidable operational costs.

Maine would not be alone in implementing such supportive measures. Several states offer vendor collection allowances to compensate businesses for the costs associated with collecting and remitting sales taxes.

Examples include:

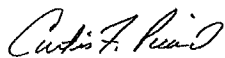
- **New York:** 5% discount on tax due, up to \$200 per reporting period.
- **Missouri:** 2% discount on tax due.
- **Nebraska:** 3% discount on the first \$5,000 of tax collected each month.
- **Nevada:** 0.25% discount on tax due.

Attached to my testimony is the list of current state vendor collection allowances from the Federation of Tax Administrators as of 2023¹. These allowances recognize the administrative and financial burdens placed on businesses and offer a model for Maine to consider. In other words, to quote my predecessor Jim McGregor, "Retailers are the unpaid tax collectors for the state," and Maine's small businesses deserve some relief.

LD 1504 represents a thoughtful and targeted effort to support Maine's small businesses in the face of rising operational costs. By providing a refundable tax credit to offset transaction fees, the state can help ensure the sustainability and growth of its small business sector.

I urge the Committee to support LD 1504 and thank you for your consideration.

Sincerely,



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¹ <https://taxadmin.org/state-sales-taxes-and-vendor-discounts/>

Improving and empowering state tax administration

Resources

State Sales Taxes and Vendor Discounts

STATE SALES TAX RATES AND VENDOR DISCOUNTS

(January 1, 2023)

STATE	STATE SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
ALABAMA	4.0%	41	5.0%-2.0% (1)	\$400/month (max)
ALASKA	-----	-----N/A-----	-----	
ARIZONA	5.6%	28	1.0% (9)	\$10,000/year (max)
ARKANSAS	6.5%	9	2.0%	\$1,000/month (max)
CALIFORNIA	7.25%	1	None	
COLORADO	2.9%	46	4.0% (4)	
CONNECTICUT	6.35%	12	None	
DELAWARE	-----	-----N/A-----	-----	
DIST. OF COLUMBIA	6.0%	16	None	
FLORIDA	6.0%	16	2.5%	\$30/report (max)
GEORGIA	4.0%	41	3.0%-0.5% (1)	
HAWAII	4.0%	41	None	
IDAHO	6.0%	16	None (5)	
ILLINOIS	6.25%	13	1.75%	\$5/year (min)
INDIANA (2)	7.0%	2	0.73% (2)	
IOWA	6.0%	16	None	

STATE	STATE SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
KANSAS	6.50%	9	None	
KENTUCKY	6.0%	16	1.75%-1.5% (1)	\$50/month (max)
LOUISIANA	4.45%	36	0.84%	\$1,500/month (max)
MAINE	5.5%	29	None (5)	
MARYLAND	6.0%	16	1.2%-0.90% (1)	\$500/return (max)
MASSACHUSETTS	6.25%	13	None	
MICHIGAN	6.0%	16	0.5% (6)	\$6/month (min), \$15,000/month (max)
MINNESOTA	6.875%	6	None	
MISSISSIPPI	7.0%	2	2.0%	\$50/month (max)
MISSOURI	4.225%	39	None	
MONTANA	-----	-----N/A-----	-----	
NEBRASKA	5.5%	29	2.5%	\$75/month (max)
NEVADA	6.85%	6	0.25%	
NEW HAMPSHIRE (10)	-----	-----N/A-----	-----	
NEW JERSEY	6.625%	8	None	
NEW MEXICO (11)	5.0%	31	None	
NEW YORK	4.0%	41	5.0%	\$200/quarter (max) small sellers only
NORTH CAROLINA	4.75%	35	None	
NORTH DAKOTA	5.0%	31	1.5%	\$110/month (max)
OHIO	5.75%	27	0.75%	
OKLAHOMA	4.5%	36	None	
OREGON	-----	-----N/A-----	-----	
PENNSYLVANIA	6.0%	16	1.0%	\$25/month (min)
RHODE ISLAND	7.0%	2	None	
SOUTH CAROLINA	6.0%	16	3.0%-2.0% (1)	\$10,000/year (max)
SOUTH DAKOTA	4.5%	36	1.5%	\$70/month (max)
TENNESSEE	7.0%	2	2.0%-1.15% (12)	\$25/period (max)

STATE	STATE SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
TEXAS	6.25%	13	0.5% (7)	
UTAH (3)	4.85%	34	1.31%	
VERMONT	6.0%	16	None (5)	
VIRGINIA (3)	4.3%	39	1.1%-0.56% (8)	
WASHINGTON	6.5%	9	None	
WEST VIRGINIA	6.0%	16	None	
WISCONSIN	5.0%	31	0.5%	\$10/period (min), \$1,000 (max)
WYOMING	4.0%	41	1.95%-1.0% (1)	\$500/month (max)
U. S. MEDIAN	6.0%			27 states allow vendor discounts

Source: Compiled by FTA from various sources.

(1) In some states, the vendors' discount varies by the amount paid. In AL and SC, the larger discounts apply to the first \$100. In GA, the larger discount applies to the first \$3,000. In KY, the larger discounts apply to the first \$1,000, while MD applies the larger discount to annual collections of \$6,000. In WY, the larger discount applies to the first \$6,250. The lower discounts apply to the remaining collections above these amounts.

(2) Utilities are not permitted to take discount. Collection allowances are 0.73% if total sales tax collected is less than \$60,000; 0.53% if total taxes is between \$60,000 and \$600,000; 0.26% if total sales tax collected is more than \$600,000.

(3) Rate does not include a statewide local rate of 1.0% in VA and 1.25% in UT. In UT, a discount of 1% is applicable to local taxes.

(4) Colorado local option sales tax discount varies from 0% to 3.33%. For Calendar year 2023, a discount of 5.3% is allowed for taxpayers with \$100,000 in sales.

(5) Vendors are allowed to keep any excess collections prescribed under the bracket system.

(6) Vendor discount only applies to the first 4.0% of the tax. A 0.75% discount if paid by the 12th of the month.

(7) An additional discount of 1.25% applies for early payment.

(8) Discount varies; 1.1% (1.6% for food) of the first \$62,500, 0.84% (1.2%) of the amount to \$208,000, and 0.56% (0.8%) of the remainder. Applies to the state tax only. No discount allowed on electronically file returns.

(9) In Arizona, vendor discount rate is 1.2% for electronic filers with a \$12,000 annual maximum.

(10) New Hampshire imposes a 9% tax on meals and rooms, with a vendor discount of 3%.

(11) New Mexico sales (GRT) tax rate is scheduled to decrease to 4.875% after 7/1/23.

(12) Tennessee vendor discounts effective 7/1/22 to 6/30/23. Higher rate applies to first \$2,500.