

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

Legislative Document

No. 162

H. P. 121

House of Representatives, January 9, 1975

Referred to Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Cox of Brewer.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-FIVE

AN ACT Relating to Sales Tax Interest and Penalties.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 36 MRSA, § 1951, 2nd ¶, first sentence, is amended to read:

Every person incurring a use tax liability of \$25, or sales tax liability of any amount in one calendar month, shall pay a penalty of \$1 or 5% of tax liability, whichever is greater, if he shall omit to report the same at or before the time required, but such penalty shall not exceed \$50.

Sec. 2. 36 MRSA, § 1952, 3rd sentence, is amended to read:

Any person who shall fail to pay any tax imposed by chapters 211 to 225 on or before the day when the same shall be required to be paid shall pay interest on said tax at the rate of ~~1/2~~ ~~of~~ 1% each month or fraction thereof that the same remains unpaid, to be calculated from the date the tax was required to be paid.

STATEMENT OF FACT

The \$1 penalty for late filing, while adequate for small taxpayers, is not sufficient to deter late filing by larger taxpayers. The amendment in section 1 of the bill would leave the late filing penalty unchanged as to taxpayers with monthly liability of \$20 or less; but would replace it with a 5% penalty in all other cases, but with a maximum penalty of \$50.

When the sales tax was first enacted in 1951, interest charged on late payments was fixed at 1% (or 12% per year). Because this was believed to be an excessive interest charge under conditions as they then existed, the rate was reduced in 1953 to $\frac{1}{2}$ of 1%. With the relatively high interest rates on commercial loans which exist today, the $\frac{1}{2}$ of 1% rate would now seem to encourage, rather than to discourage, late payment of sales and use taxes. Thus, the bill proposes to restore the 1% rate which was originally in effect.