

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1672

S. P. 468

In Senate, April 21, 1977

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

MAY M. ROSS, Secretary

Presented by Senator Chapman of Sagadahoc.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

AN ACT to Provide New Car Dealers with a Use Tax Credit.

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

36 MRSA § 1863 is enacted to read:

§ 1863. New car dealer credit

1. Description. When a new motor vehicle is rented for no more than 6 months by a motor vehicle dealer and is then sold by the dealer, the following use tax credit is available:

An amount equal to the difference in sales tax paid by the purchaser of the new car and the sales tax that would have been paid had the vehicle been sold at its manufacturer's suggested retail price.

2. Collection. The dealer shall collect this tax credit by decreasing his monthly sales tax return by the amount of the credit.

3. Administration. The State Tax Assessor shall establish the necessary rules and regulations for the efficient and equitable administration of this section. The terms "motor vehicle" and "motor vehicle dealer" are defined as in Title 10, chapter 204.

STATEMENT OF FACT

The purpose of this bill is to establish a use tax credit for car dealers who rent new cars for up to 6 months and then sell them. Under this credit, the

dealer would pay a use tax as is now required on a vehicle placed into rental service at the cost of acquisition. After renting the vehicle for not more than 6 months, the vehicle would be withdrawn from rental service and ultimately be sold to a customer who would pay tax on the transaction. The credit due the registrant would be computed by computing tax on the original list price of the vehicle. From this would be deducted the tax based on the actual selling price of the vehicle sold at a discounted price due to its use in rental service. The use tax paid would be decreased by the tax loss on the discounted sale. The remaining tax paid by the dealer would be subject to credit by the Bureau of Taxation.

An example of this credit would be as follows :

An automobile costing \$4,000 is purchased by the dealer and placed into rental service. A use tax in the amount of \$200 is paid at that time. Within 6 months, the automobile is removed from rental service and ultimately sold to a customer who pays tax on the transaction. The original list price of \$4,800 would indicate a tax of \$240. The actual selling price was \$4,200 with a tax charged in the amount of \$210. This indicates a tax loss of \$30 due to use of the automobile as a rental vehicle temporarily while it was being held for sale. The use tax paid (\$200) would be reduced by the tax loss (\$30) and become subject to refund thru a credit taken by the dealer on the monthly return.