

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)

1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 416

7 H.P. 358

House of Representatives, February 1, 1983

8 On Motion of Representative Higgins of Portland referred to the
9 Committee on Taxation. Sent up for concurrence and ordered printed.

10 EDWIN H. PERT, Clerk

Presented by Representative Conary of Oakland.

Cosponsor: Representative Jacques of Waterville.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT Relating to the Applicability of
18 State Sales Tax on Interest Paid on Rental
19 Agreements.
20

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

23 36 MRSA §1752, sub-§14, as amended by PL 1971, c.
24 479, is further amended to read:

25 14. Sale price. "Sale price" means the total
26 amount of the sale or lease or rental price, as the
27 case may be, of a retail sale, including any services
28 that are a part of that sale, valued in money,
29 whether received in money or otherwise, including all
30 receipts, cash, credits and property of any kind or
31 nature, and any amount for which credit is allowed by
32 the seller to the purchaser, without any deduction
33 therefrom on account of the cost of the property
34 sold, the cost of the materials used, labor or ser-

1 vice cost, interest paid, losses or any other
2 expenses whatsoever, except that "sale price" shall
3 not include interest paid under a lease agreement
4 with option to purchase when the interest is stated
5 as a separate item. Discounts allowed and taken on
6 sales shall not be included. "Sale price" shall not
7 include allowances in cash or by credit made upon the
8 return of merchandise pursuant to warranty, or the
9 price of property returned by customers when the full
10 price thereof is refunded either in cash or by
11 credit, nor shall "sale price" include the price
12 received for labor or services used in installing or
13 applying or repairing the property sold, if sepa-
14 rately charged or stated nor shall "sale price"
15 include an amount charged or collected, in lieu of a
16 gratuity or tip, as a specifically stated service
17 charge, when ~~said~~ that amount is to be disbursed by a
18 hotel, motel, restaurant or other eating establish-
19 ment to its employees as wages, nor shall a sales tax
20 be charged or collected on the value in money of
21 meals and all lodging provided to employees at their
22 place of employment when the amount of ~~said~~ the value
23 in money is allowed as a credit towards the wages of
24 ~~said~~ those employees. "Sale price" shall not include
25 the amount of any tax imposed by the United States
26 upon or with respect to retail sales, including sales
27 of telephone or telegraph service, whether imposed
28 upon the retailer or the consumer, excepting any
29 manufacturers' or importers' excise tax; and shall
30 not include the cost of transportation from the
31 retailer's place of business or other point from
32 which shipment is made directly to the purchaser pro-
33 vided ~~such~~ the charges are separately stated and pro-
34 vided ~~such~~ the transportation occurs by means of com-
35 mon carrier, contract carrier or the United States
36 mails.

37 STATEMENT OF FACT

38 Under current practice, the Bureau of Taxation
39 applies the state sales tax to the interest charged
40 by a lessor of construction equipment when the lessee
41 exercises his option to purchase pursuant to a lease
42 agreement, following a period of lease. In those
43 cases, it appears that the interest element should
44 not be subject to sales tax, since it is not part of

1 the lease or rental price, but is only charged if and
2 when the option to purchase is exercised. It is sug-
3 gested that the purchase price specified in the lease
4 agreement is the total amount attributable to the
5 transfer of tangible personal property. The interest
6 charges do not represent tangible personal property,
7 within the meaning of the statutes, but rather
8 charges for the use of money.

9 Sales tax is not charged on interest paid during
10 an installment purchase, and this amount is known at
11 the time of the purchase. It follows that interest
12 accruing during lease with option to purchase should
13 be treated in the same manner.

14 This bill brings Maine in line with other states;
15 e.g. Texas, where such interest, separately stated,
16 is not taxable.

17

0908012183