

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
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

(New Draft of H.P. 1823, L.D. 2416)
(New Title)

SECOND REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document No. 2471

H.P. 1869 House of Representatives, April 13, 1984

Reported by the Majority from the Committee on Taxation and printed under Joint Rule 2.

Original bill presented by Speaker Martin of Eagle Lake.

Cosponsored by Representative Salsbury of Bar Harbor, Representative Kane of South Portland, and Senator Perkins of Hancock.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-FOUR

AN ACT to Equalize Taxation of Aircraft.

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

Sec. 1. 36 MRSA §1760, sub-§41, as amended by PL 1981, c. 705, Pt.K, is further amended to read:

41. Certain instrumentalities of interstate or foreign commerce. The sale of a vehicle, railroad rolling stock, aircraft or watercraft which is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after that sale and which is used by the purchaser not less than 80% of the time for the next 2 years as an instrumentality of interstate or foreign commerce. The

1 State Tax Assessor may for good cause extend for not
2 more than 30 days the time for placing the instrumen-
3 tality in use in interstate or foreign commerce. For
4 purposes of this subsection, property is "placed in
5 use as an instrumentality of interstate or foreign
6 commerce" by its carrying of, or providing the motive
7 power for the carrying of, a bona fide payload in in-
8 terstate or foreign commerce, or by being dispatched
9 to a specific location at which it will be loaded
10 upon arrival with, or will be used as motive power
11 for the carrying of, a payload in interstate or for-
12 eign commerce. For purposes of this subsection, "bona
13 fide payload" means a cargo of persons or property
14 transported by a contract or common carrier for com-
15 pensation which exceeds the direct cost of carrying
16 that cargo or pursuant to a legal obligation to pro-
17 vide service as a public utility or a cargo of prop-
18 erty transported in the reasonable conduct of the
19 purchaser's own nontransportation business in inter-
20 state commerce.

21 For purposes of this subsection, "purchaser" includes
22 a lessee of aircraft and "aircraft" includes replace-
23 ment or repair parts thereof. It is not necessary
24 that replacement or repair parts for aircraft be
25 placed in use within 30 days after sale, provided
26 that the aircraft to which the parts are affixed
27 qualifies for exemption under this subsection. This
28 paragraph is repealed on July 1, 1985.

29 Sec. 2. 36 MRS A §1760, sub-§46 is enacted to
30 read:

31 46. Scheduled airlines. The sale or lease of an
32 aircraft, or replacement or repair parts thereof,
33 used by a scheduled airline, based in this State,
34 which has been approved to operate by the Civil Aero-
35 navitics Board and the Federal Aviation Administra-
36 tion. This subsection is repealed on July 1, 1985.

37 FISCAL NOTE

38 The Bureau of Taxation estimates that, exclusive
39 of a Beechcraft/Bar Harbor Airlines arrangement under
40 consideration, the loss of revenue from this bill is
41 as follows:

1

1984-85

2	General Fund	\$228,192
3	Local Government Fund	9,508

4 Bar Harbor Airlines has stated that it is consid-
5 ering leasing aircraft at a cost of \$25,000,000,
6 which could result in an additional future loss of
7 sales tax revenue of \$1,250,000 at the time those
8 aircraft are leased.

9

STATEMENT OF FACT

10 This new draft is intended to resolve the exist-
11 ing disparity in taxation treatment between leased
12 and purchased aircraft and to encourage repairs and
13 maintenance to be performed within Maine. Aircraft
14 purchased for use in interstate commerce are exempt
15 from sales and use tax. In recent years, economic
16 conditions affecting Maine air carriers have required
17 them to lease equipment rather than purchase it. Fi-
18 nancing terms may be at unfavorably high interest
19 rates, or the would-be buyer may be financially un-
20 able to make any down payment, with the result that
21 acquisitions of capital equipment are increasingly
22 being made through use of lease arrangements. This
23 frequently results in the lessee-user becoming re-
24 sponsible for a use tax on property which would be
25 exempt if purchased under terms substantially similar
26 to those involved in a lease arrangement. The use
27 tax previously has been assessed against the lessor,
28 but the tax is ultimately passed along to the Maine
29 user under standard aircraft lease terms which pro-
30 vide that the user must reimburse the lessor for
31 taxes. This new draft provides that a taxpayer who
32 would be exempt from sales tax on aircraft used in
33 interstate commerce on certain classes of property if
34 purchased and conventionally financed will also be
35 exempt from tax where the property is acquired
36 through the use of a lease instead.

37 Also, air carriers have been discouraged from
38 having repairs and maintenance work performed in
39 Maine, since work done elsewhere is exempt from tax
40 on return to Maine in interstate service. This new
41 draft exempts such work if performed in Maine, in or-

1 der to avoid the competitive disadvantage which Maine
2 vendors of repair and maintenance goods and services
3 now face.

4 This new draft also extends the same exemption to
5 all scheduled airlines which have approval from the
6 Civil Aeronautics Board and the Federal Aviation Ad-
7 ministration.

8 The airline industry is unlike surface transpor-
9 tation industries in that substantial capital renewal
10 of equipment is mandated by federal regulations, usu-
11 ally amounting to many times the original purchase
12 price of the equipment. Additionally, Maine airlines
13 can only undertake repairs or replacement of aircraft
14 equipment and parts at a Federal Aviation Administra-
15 tion licensed repair center.

16 6856041384