

# MAINE STATE LEGISLATURE

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# 114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

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Legislative Document

No. 601

H.P. 436

House of Representatives, March 6, 1989

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads 'Ed Pert'.

EDWIN H. PERT, Clerk

Presented by Representative CASHMAN of Old Town.

Cosponsored by Senator WEBSTER of Franklin, Representative SWAZEY of Bucksport and Representative TARDY of Palmyra.

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STATE OF MAINE

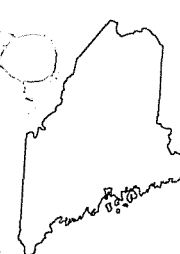
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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-NINE

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An Act Relating to Taxation of Equipment.

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

3               **Sec. 1. 36 MRSA §1760, sub-§31**, as amended by PL 1985, c. 276,  
5       §3, is further amended to read:

7               31.   Machinery and equipment. Sales of machinery and  
9       equipment for use ~~by the purchaser~~ directly and primarily in the  
11       rendering of fabrication services or in the production of  
13       tangible personal property, which property is intended to be sold  
15       or leased ultimately for final use or consumption.;

17               **Sec. 2. 36 MRSA §1760, sub-§32**, as amended by PL 1985, c. 276,  
19       §4, is further amended to read:

21               32.   Machinery and equipment for research. Sales of  
23       machinery and equipment for use ~~by the purchaser~~ directly and  
25       exclusively in research and development in the experimental and  
27       laboratory sense. The research and development shall not be  
29       deemed to include the ordinary testing or inspecting of materials  
31       or products for quality control, efficiency surveys, management  
33       studies, consumer surveys, advertising, promotions or research in  
35       connection with literary, historical or similar projects.;

37               **Sec. 3. 36 MRSA §1760, sub-§41**, as amended by PL 1987, c. 497,  
39       §38, is further amended to read:

41               41.   Certain instrumentalities of interstate or foreign  
43       commerce. The sale of a vehicle, railroad rolling stock, aircraft  
45       or watercraft which is placed in use ~~by the purchaser~~ as an  
47       instrumentality of interstate or foreign commerce within 30 days  
49       after that sale and which is used by the purchaser not less than  
51       80% of the time for the next 2 years as an instrumentality of  
      interstate or foreign commerce. The State Tax Assessor may for  
      good cause extend for not more than 60 days the time for placing  
      the instrumentality in use in interstate or foreign commerce. For  
      purposes of this subsection, property is "placed in use as an  
      instrumentality of interstate or foreign commerce" by its  
      carrying of, or providing the motive power for the carrying of, a  
      bona fide payload in interstate or foreign commerce, or by being  
      dispatched to a specific location at which it will be loaded upon  
      arrival with, or will be used as motive power for the carrying  
      of, a payload in interstate or foreign commerce. For purposes of  
      this subsection, "bona fide payload" means a cargo of persons or  
      property transported by a contract or common carrier for  
      compensation which exceeds the direct cost of carrying that cargo  
      or pursuant to a legal obligation to provide service as a public  
      utility or a cargo of property transported in the reasonable  
      conduct of ~~the purchaser's own~~ nontransportation business in  
      interstate commerce. by the purchaser or lessee of the  
      instrumentality;

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## STATEMENT OF FACT

5       The current tax exemptions for machinery and equipment used  
7       in the production of tangible personal property and in research  
9       and for certain instrumentalities of interstate commerce are  
11       available only to individuals or entities which own, rather than  
13       lease, that equipment. Many businesses, however, are unable to  
15       meet the extraordinary capital costs associated with the purchase  
      of these types of equipment and are forced to lease them  
      instead. Since the purpose of these exemptions is to encourage  
      modernization of the equipment and expansion of the enterprises  
      in which the equipment is used, this bill removes a limitation  
      which is both unnecessary for the achievement of that purpose and  
      which unfairly favors larger and more highly capitalized  
      businesses.