

MAINE STATE LEGISLATURE

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STATE OF MAINE
SENATE
116TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 545, L.D. 1570, Bill, "An Act to Modify the Taxation of Leases on Automobiles"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 36 MRSA §1811, first ¶, as amended by PL 1991, c. 591, Pt. XX, §1 and affected by §§7 and 8, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp and; 10% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food sold in establishments that are licensed for on-premises consumption of liquor pursuant to Title 28-A, chapter 43; and 6% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. 2. 36 MRSA §1811, as amended by PL 1993, c. 471, §3, is further amended by adding at the end a new paragraph to read:

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2 Rental or lease of an automobile for more than one year must
3 be taxed at the time of the lease or rental transaction at 6% of
4 the following: the total monthly lease payment multiplied by the
5 number of payments in the lease or rental, the amount of equity
6 involved in any trade-in and the value of any cash down payment.

7 Sec. 3. 36 MRSA §2015 is enacted to read:

8 §2015. Rental vehicle excise tax reimbursement

10 1. Report. Annually, on or before September 1st, a vehicle
11 owner or rental company engaged in the business of renting
12 automobiles for a period of less than one year, in order to claim
13 an excise tax reimbursement, shall file a report with the State
14 Tax Assessor. The report must include the information required
15 by the State Tax Assessor to determine the taxpayer's excise tax
16 reimbursement entitlement. The State Tax Assessor may extend the
17 September 1st filing deadline for a period not to exceed one year
18 for good cause.

19 2. Reimbursement. The State Tax Assessor shall determine
20 the reimbursement to be paid to a taxpayer filing a return
21 pursuant to subsection 1. The reimbursement is the amount that
22 is the smaller of:

23 A. The amount determined by computing the total excise tax
24 credit entitlement during the most recently completed period
25 from July 1st to June 30th for which a taxpayer has filed a
26 return pursuant to subsection 1. An excise tax credit
27 accrues for each vehicle excise tax paid in the prior
28 completed period for which the associated Maine registration
29 was surrendered prior to the expiration of the associated
30 12-month excise tax period, unless the excise tax was
31 credited to another registration, in which case the 12-month
32 period continues to run in association with the replacement
33 registration. The amount of the credit is equal to the
34 amount of the excise tax paid in order to register the
35 original vehicle multiplied by a fraction, the numerator of
36 which is the number of complete months short of 12 months
37 during which the registration was surrendered and the
38 denominator is 12; or

39 B. Three-tenths of the amount of tax paid to the State by
40 the taxpayer resulting from the tax on the rental of
41 automobiles for a period of less than one year during the
42 most recently completed period from July 1st to June 30th.

43 3. Treasurer of State; notification. Upon the
44 determination of the reimbursement amount to be paid to a vehicle
45 owner or rental company, the State Tax Assessor shall inform the
46 owner or rental company, the State Tax Assessor shall inform the

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2 Treasurer of State of the determination and the Treasurer of
4 State shall make the reimbursement. These reimbursements must be
6 accounted for and paid as sales and use tax refunds. Unless the
8 reimbursement is paid before November 1st of the year in which
the report required in subsection 1 is filed or within 60 days of
the filing of that report, whichever is later, interest at the
rate provided in section 186 must be paid for the period of time
that transpires after the deadline before payment is made.

10 **Sec. 4. Appropriation.** The following funds are appropriated
12 from the General Fund to carry out the purposes of this Act.

1994-95

14 **ADMINISTRATIVE AND FINANCIAL**
16 **SERVICES, DEPARTMENT OF**

18 **Bureau of Taxation**

| | | |
|----|----------------------|---------|
| 20 | Positions | (1.0) |
| | Personal Services | \$9,815 |
| 22 | All Other | 180,000 |
| | Capital Expenditures | 7,645 |

24 Provides funds for a Senior Revenue Agent
26 position effective April 1, 1995, computer
28 system modifications and operational
expenses.

30 **DEPARTMENT OF ADMINISTRATIVE AND**
32 **FINANCIAL SERVICES**

TOTAL \$197,460

34 **Sec. 5. Effective date.** That section of this Act that amends
36 the Maine Revised Statutes, Title 36, section 1811, first
38 paragraph takes effect August 1, 1994. That section of this Act
40 that enacts a new last paragraph to Title 36, section 1811 takes
effect January 1, 1995. That section of this Act that enacts
Title 36, section 2015 takes effect July 1, 1995.'

42 Further amend the bill by inserting at the end before the
statement of fact the following:

44 **FISCAL NOTE**

46 1994-95

48 **APPROPRIATIONS/ALLOCATIONS**

| | | |
|----|--------------|-----------|
| 50 | General Fund | \$197,460 |
|----|--------------|-----------|

2 **REVENUES**

| | | |
|---|--------------|-----------|
| 4 | General Fund | \$201,210 |
| | Other Funds | 10,813 |

6
8 Increasing the sales tax rate on the short-term rental of
10 automobiles from 7% to 10% will increase General Fund revenue by
12 \$721,812 in fiscal year 1994-95. However, most of the increased
revenue in subsequent fiscal years will be offset by the excise
tax credit for rental automobile companies for the portion of the
year that their automobiles are not registered in the State.

14 Modifying the sales tax for automobile leases of one year or
16 longer effective January 1, 1995 will reduce General Fund revenue
18 by \$520,602 in fiscal year 1994-95. This modification will
20 decrease General Fund revenue by approximately \$1,500,000 in
fiscal year 1995-96, but have a positive effect in subsequent
years.

22 The net effect of these tax changes in fiscal year 1994-95
24 is a net increase in General Fund revenue of \$201,210 and a
corresponding increase in state municipal revenue sharing of
\$10,813.

26 The Bureau of Taxation will require an additional General
28 Fund appropriation of \$197,460 in fiscal year 1994-95 for one
Senior Revenue Agent, one-time computer system modifications,
operating expenses and a computer.'

32 **STATEMENT OF FACT**

34 This amendment increases the sales tax rate on short-term
36 rentals of automobiles of one year or less from 7% to 10%
effective August 1, 1994.

38 The amendment also revises the sales taxation of automobile
40 rentals and leases of one year or longer effective January 1,
1995. Currently, the purchase price of the vehicle is taxed.
42 This amendment provides for a tax on the total amount of the
44 lease payments at the time the lease is entered into as well as
the equity value of the trade-in and trade-in credit.

46 The amendment also establishes an excise tax reimbursement
48 for rental car companies effective July 1, 1995 for the portion
of the year that their automobiles are not registered in Maine.
Current law requires that a rental automobile company pay a full
50 year's excise tax on an automobile even if the automobile will

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2 only be utilized in the State for a portion of the year. This
3 provision will allow an automobile rental company to be
4 reimbursed for the portion of the year in which the rental
5 automobile was not in the State.

6 The amendment also adds an appropriation section, a fiscal
7 note and effective dates.
8

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