

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)

M
R d S.

L.D. 356

DATE: 5-25-99

(Filing No. H-677)

TAXATION

Reproduced and distributed under the direction of the Clerk of the House.

**STATE OF MAINE
HOUSE OF REPRESENTATIVES
119TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 252, L.D. 356, Bill, "An Act to Change the Sales Tax Treatment of Rentals of Audio Equipment and Furniture"

Amend the bill by striking out the title and substituting the following:

'An Act Relating to the Sales Tax Treatment of Certain Rentals and Leases'

Further amend the bill by inserting after the enacting clause and before section 1 the following:

'Sec. 1. 36 MRSA §1752, sub-§3-D is enacted to read:

3-D. Furniture. "Furniture" means the following movable items that are intended to make a room or establishment useful for human habitation.

A. "Furniture" includes:

(1) Living room furniture, including, but not limited to, sofas, love seats, loungers, recliners, chairs, end tables, coffee tables, curio cabinets, home entertainment centers, book shelves and floor and table lamps;

2 (2) Bedroom furniture, including, but not limited to,
3 headboards, footboards, bed frames, mattresses, box
4 springs, dressers, chests of drawers, mirrors,
5 armoires, nightstands, bunk beds, roll-away beds and
6 chests;

8 (3) Baby furniture, including, but not limited to,
9 cribs, dressers and changing tables;

10 (4) Dining room furniture, including, but not limited
11 to, tables, chairs, dinette sets, hutches and dry sinks;

14 (5) Patio and outdoor furniture, including, but not
15 limited to, tables, chairs, umbrellas, porch swings and
16 gliders;

18 (6) Office furniture including, but not limited to,
19 desks, chairs, tables, workstations, movable
20 partitions, shelving, file cabinets, coat racks and
21 couches; and

22 (7) Home electronic devices including home appliances,
23 home computers, televisions, stereos and radios.

26 B. "Furniture" does not include:

28 (1) Items that are affixed to real property such as
29 sinks, toilets, built-in cabinets or light fixtures; or

30 (2) Furnishings such as carpeting, artwork, draperies
31 or blinds.'

34 Further amend the bill by inserting after section 4 the
35 following:

36 'Sec. 5. 36 MRSA §1760, sub-§31, as amended by PL 1989, c.
37 501, Pt. V, §§4 and 5, is repealed and the following enacted in
38 its place:

39 31. Machinery and equipment. Sales of machinery and
40 equipment:

41 A. For use by the purchaser directly and primarily in
42 either the production of tangible personal property intended
43 to be sold or leased ultimately for final use or
44 consumption, or in the production of tangible personal
45 property pursuant to a contract with the United States
46 Government or any agency thereof. This exemption applies
47 even if the purchaser sells the machinery or equipment and
48
49
50

R. & S.

COMMITTEE AMENDMENT "A" to H.P. 252, L.D. 356

2 leases it back in a sale and leaseback transaction. This
3 exemption also applies whether the purchaser agrees before
4 or after the purchase of the machinery or equipment to enter
5 into the sale and leaseback transaction and whether the
6 purchaser's use of the machinery or equipment in production
7 commences before or after the sale and leaseback transaction
8 occurs; and

9
10 B. To a bank, leasing company or other person as part of a
11 sale and leaseback transaction, by a person that uses the
12 machinery or equipment as described in paragraph A, whether
13 the original purchaser's use of the machinery or equipment
14 in production commences before or after the sale and
15 leaseback transaction occurs.'

16 **Sec. 6. Application.** The portions of this Act relating to the
17 rental of furniture and audio equipment apply to rental-purchase
18 agreements, as defined by the Maine Revised Statutes, Title 9-A,
19 section 11-105, subsection 7, entered into on or after October 1,
20 1999. Those portions do not apply to rental-purchase agreements
21 entered into before October 1, 1999.'

22
23 Further amend the bill by relettering or renumbering any
24 nonconsecutive Part letter or section number to read
25 consecutively.

26
27 Further amend the bill by inserting at the end before the
28 summary the following:

29

30 **FISCAL NOTE**

| | 1999-00 | 2000-01 |
|----|-----------------|-------------------------|
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | REVENUES | |
| 35 | | |
| 36 | General Fund | (\$244,360) (\$145,030) |
| 37 | Other Funds | (13,132) (7,794) |
| 38 | | |

39
40 The tax changes in this bill will result in net decreases of
41 sales and use tax collections of \$257,492 in fiscal year 1999-00
42 and \$152,824 in fiscal year 2000-01. The decrease of these tax
43 collections will decrease the amounts transferred to the Local
44 Government Fund for state-municipal revenue sharing in those
45 years by \$13,132 and \$7,794, respectively. The resulting net
46 decreases of General Fund revenue will be \$244,360 in fiscal year
47 1999-00 and \$145,030 in fiscal year 2000-01.

48
49 Beginning in fiscal year 2001-02, these tax changes will
50 result in net increases of sales and use tax collections. The

COMMITTEE AMENDMENT

R. 3

COMMITTEE AMENDMENT "A" to H.P. 252, L.D. 356

2 estimated net increases of gross sales and use tax collections,
prior to transfers to the Local Government Fund, are \$48,423 in
4 fiscal year 2001-02 and \$133,304 in fiscal year 2002-03.

6 The Bureau of Revenue Services will incur some minor
additional costs to implement this sales and use tax change.
8 These costs can be absorbed within the bureau's existing budgeted
resources.'

10

SUMMARY

12

14 This amendment adds a definition of "furniture," provides
that the change in treatment of rentals of furniture and audio
16 tapes or equipment does not apply to rental-purchase agreements
entered into before October 1, 1999.

18

20 The amendment also provides that a manufacturer does not
lose the benefit of the sales tax exemption for machinery and
equipment used in the production process by entering into a sale
22 and leaseback transaction with a bank, leasing company or other
financial service provider. The amendment provides that the
24 exemption also extends to the sale of the machinery or equipment
to the bank or leasing company. The amendment also adds a fiscal
note to the bill.

26