CONTACTS

Brian Parke
MMTA President and CEO
bparke@mmta.com
O: (207)623-4128
C: (207)415-2432

Tim Doyle
MMTA Vice President
timd@mmta.com
O: (207)623-4128
C: (207)557-0138

PLEASE SUPPORT LD 1805 – AN ACT TO AMEND THE TAX LAWS

PART I Clarifies An Important Issue Impacting The Trucking Industry

MAINE'S INTERSTATE COMMERCE SALES TAX EXEMPTION SIMPLIFIED:

Sales tax is not due on the sale of a vehicle (trucks and trailers) that is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after that sale and that 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 ISSUE:

The trucking industry has been working with Maine Revenue Services, Legislative Leadership and the Taxation Committee to clarify an existing sales tax exemption. Section I of LD 1805 removes ambiguity when it comes to the practical utilization of equipment. MMTA and our members aren't looking for anything more than what has been long-standing industry practice – this is a matter of clarification to take the uncertainties out of MRS interpretations.

- Discounting the time trailers sit loaded or waiting to be loaded in interstate commerce as well as the time spent maintaining the equipment used in interstate commerce;
- Trailer usage - trailer interchange agreements and trailers in pools used by others, as long as they are used in interstate commerce, should clearly be eligible for the exemption.

WHY DOES THIS NEED TO BE PROACTIVELY FIXED AND RETROACTIVELY APPLIED?

- If not proactively addressed, there will likely be a negative financial impact on Maine trucking companies who think they are complying, but find out otherwise when they get audited;
- If not proactively addressed, the concern might be enough to force some of the larger Maine carriers to buy equipment and locate facilities in other states who offer an exemption, taking other tax revenue and community investment with them;
- If not proactively addressed and carriers leave Maine, equipment dealers will be negatively impacted – local jobs and continued support for our communities will suffer as a result.

STATE COMPARISON:

- According to the American Trucking Associations, there are 38 states (including Maine) that have a state statutory interstate commerce sales tax exemption.
  - Of those 38 states, almost 2/3 of them have adopted an exemption that is much more clearly defined and much more simple to enforce compared to Maine:
  - The exemption applies to all vehicles over a certain registered weight;
  - The exemption applies to any for-hire company registered in the IRP or with an active DOT number;

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    - The most simple application is in Alaska, Montana, New Hampshire and Oregon where there is no sales tax on any purchases.
- A few of the states who don't offer an exemption do offer a lower tax rate on equipment placed in interstate commerce and/or a capped tax amount of $500.
- In July of 2017, Illinois passed legislation because their exemption (equipment used 50% in interstate commerce) was identified as being too cumbersome for companies to track and for their auditors to enforce – and likely to compete with neighboring Indiana. The result is they now allow the exemption for all equipment if the carrier has an active interstate for-hire DOT number
- Massachusetts does not currently have an exemption but efforts are currently underway and legislation has been introduced to adopt a sales tax exemption on rolling stock. The reason for this recent effort is to reduce the economic disincentive to locate and retain trucking companies in Massachusetts.

PRACTICAL REALITIES OF SALES TAX EXEMPTION ISSUE TO THE TRUCKING INDUSTRY

1. Discouraging the purchase of equipment in Maine is antithetical to our desire for attracting and retaining economic development.

    - Impacting truck and trailer dealers in Maine who pay taxes and employ Maine citizens.
    - Also discourages carrier expansion or retention of operations if there is enough incentive to move out of Maine.

2. The intent of the exemption is to keep Maine carriers competitive with the carriers from other states who recognized the mobile nature of these businesses and implemented a sales tax exemption for rolling stock placed in interstate commerce.

3. Complying can be complicated, time consuming and expensive to administer. Here's what the carrier has to track to ensure compliance for EACH truck and trailer in their fleet:

    - Time spent stationary at carrier's location waiting to be dispatched.
    - Time spent stationary at customer's location loaded or waiting to be loaded.
    - Time spent moving interstate commerce.
    - Time spent moving intrastate commerce.
    - Time spent moving empty for repositioning or maintenance.
    - Time spent being used by a sub-hauler (almost always in interstate commerce), regardless of the presence of a trailer interchange agreement or payment for use of equipment.

PASSAGE OF LD 1805 ADDRESSES THE TRUCKING INDUSTRY'S CONCERNS

PLEASE SUPPORT LD 1805
AN ACT TO AMEND THE TAX LAWS

LD 1805 HAS A POSITIVE FISCAL IMPACT

*provided by OFPR

	FY 2019	FY 2020	FY 2021
LD 1805 – An Act To Amend The Tax Laws	$103,372	$5,131,330	$5,419,940