



131st MAINE LEGISLATURE

LD 2000

LR 1653(02)

An Act to Change the Taxation of Rental Tangible Personal Property to Make It Consistent with the Predominant Method in Other States' Rental Industry Laws for Sales and Use Tax

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
Net Cost (Savings)				
General Fund	\$0	(\$4,494,000)	(\$11,808,000)	(\$4,060,000)
Revenue				
General Fund	\$0	\$4,494,000	\$11,808,000	\$4,060,000
Other Special Revenue Funds	\$0	\$195,000	\$174,000	(\$222,000)

Fiscal Detail and Notes

This bill changes the approach to taxation of rental property from imposing a sales and use tax on the purchase price of rental property to instead imposing sales and use tax on rental payments, also known as the lease stream taxation, effective January 1, 2025. This will increase sales tax revenue in the second half of fiscal year 2024-25 resulting in a General Fund revenue increase of \$4,494,000 and a Local Government Fund revenue increase of \$195,000 in that year.

Beginning in fiscal year 2025-26, the impact on Other Special Revenue Funds is the net result of increases in Local Government Fund revenue and offsetting decreases in Multimodal Transportation Fund revenue due to the removal of certain vehicles from the 10% tax rate. In fiscal year 2026-27, the General Fund revenue increase drops temporarily due to a refund that is available on a time limited basis for sales tax paid on rental property purchases prior to January 1, 2025.