

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: April 5, 2013
To: Members, Joint Standing Committee on Taxation
From: Elizabeth Cooper, Legislative Analyst

LD 728, An Act To Amend the Laws Dealing with the Taxing of Extended Warranty Claims for Trucks

Summary: This bill exempts from sales tax parts used in the repair of a truck pursuant to an extended service contract. Current law provides this exemption for the parts used in the repair of an automobile pursuant to an extended service contract.

Public Hearing:

Proponents

- The sponsor presented the bill and provided written testimony.
- A representative of Maine Automobile Dealers Association testified in support of the bill.
- *Major points:* For vehicles under 10,000 pounds, the sales tax is applied to the purchase of the warranty and exempts taxes on repairs made under the warranty; should be the same for trucks over 10,000 pounds.

Opposed - none

NFNA- none

Technical Issues: Should the Committee choose to move forward with this bill, the definition of taxable services should be amended to include the sale of an extended service contract on a truck. As written, the bill does not tax the extended service contract.

36 MRSA, §1752

17-B. Taxable service. "Taxable service" means the rental of living quarters in a hotel, rooming house or tourist or trailer camp; the transmission and distribution of electricity; the rental or lease of an automobile, a camper trailer, or a motor home, as defined in Title 29-A, section 101, subsection 40; the rental or lease of a pickup truck or van with a gross vehicle weight of less than 26,000 pounds from a person primarily engaged in the business of renting automobiles; the sale of an extended service contract on an automobile or truck as defined in subsection 20-B that entitles the purchaser to specific benefits in the service of the automobile or truck as defined in subsection 20-B.

Fiscal Information: Preliminary fiscal analysis is based on the bill as written project a \$2 million to \$3 million revenue loss. *This does include the addition of revenue generated by the tax on the purchase of the warranty.* The official preliminary fiscal impact statement was not available at the time this analysis was finalized. The most current fiscal information can be found online at: www.mainelegislature.org/LawMakerWeb/search.asp.