

Presentation to the Governor's Commission on School Construction

Michael J. Allen

Associate Commissioner for Tax Policy

Department of Administrative and Financial Services

Maine Revenue Services

Office of Tax Policy

January 29, 2025

Sales & Use Tax

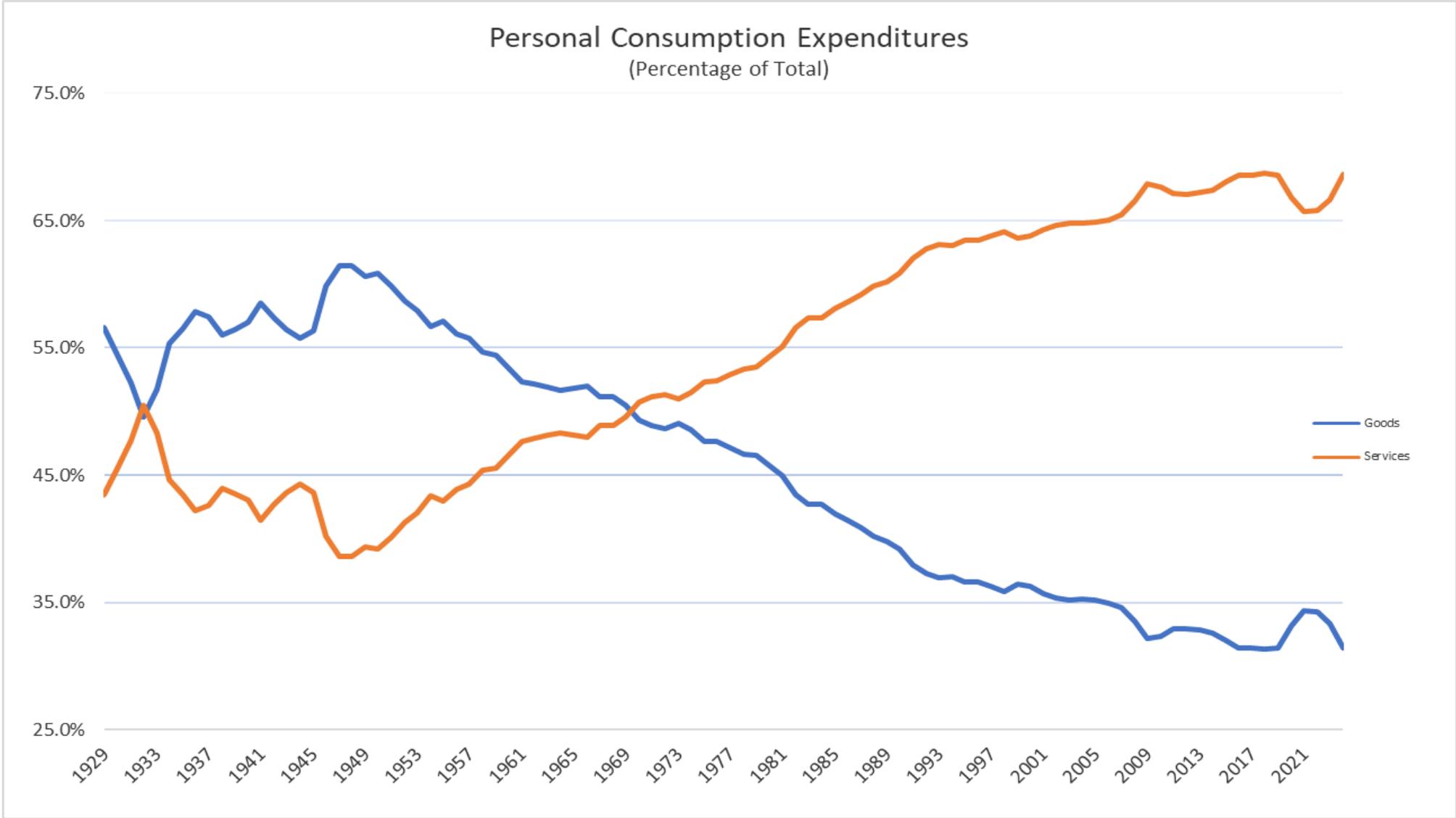
Maine Sales & Use Tax Law

Title 36, Section 1811

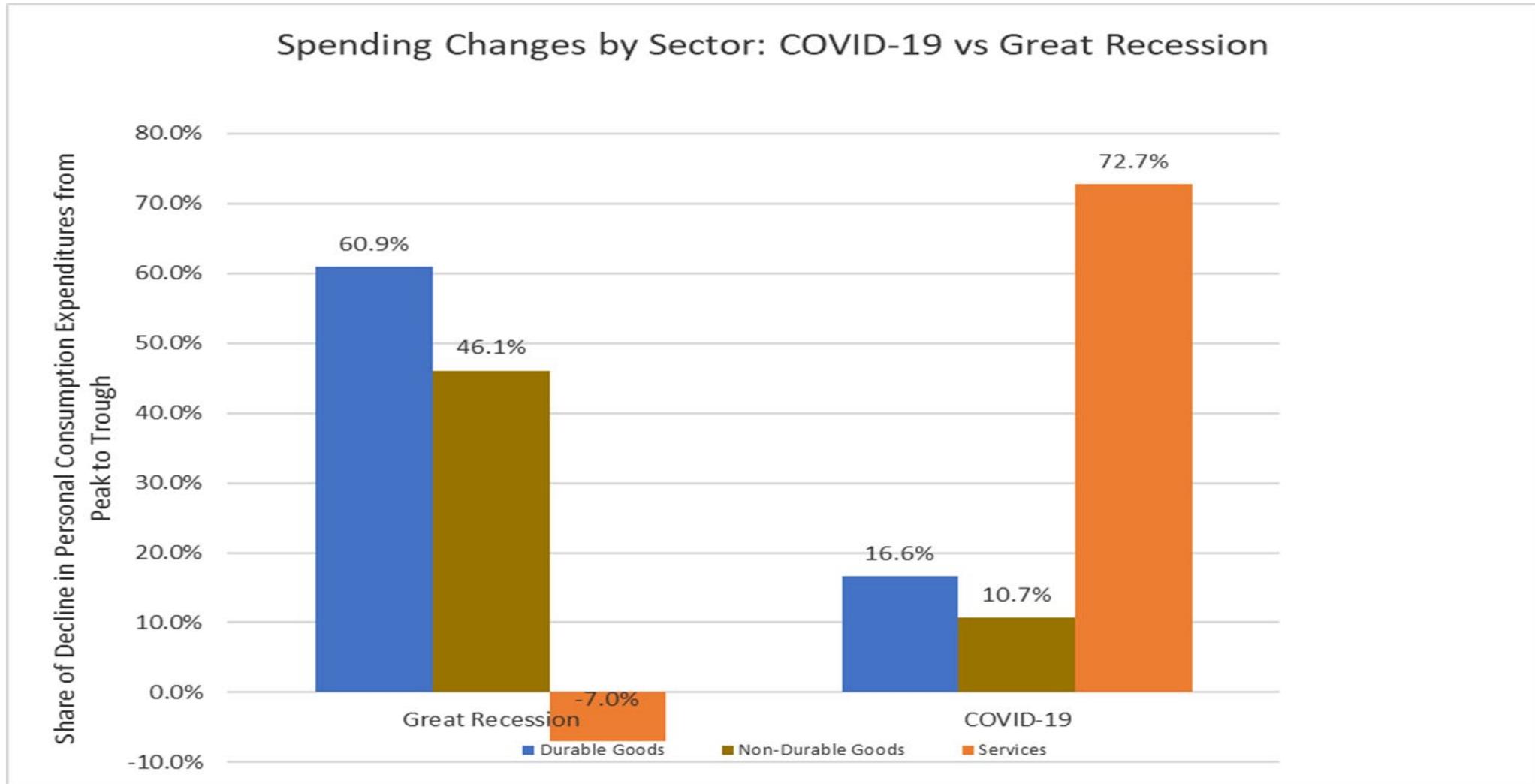
“A tax is imposed on the value of all tangible personal property, products transferred electronically and taxable services sold at retail in this State.”

- Tax applies to anything that can be seen, felt and touched
- Applies to digital products if nondigital physical form is subject to tax. Must be sale of digital product that is downloadable.
- Sales of services are generally excluded, unless specifically subject to sales tax (e.g. rental of living quarters, rental or lease of automobile, transmission and distribution of electricity, etc.). Other services (e.g. telecommunications, cable and satellite, fabrication services) are subject to the Service Provider Tax.
- Retail sale means “any sale of tangible property or taxable service in the ordinary course of business.” Some sales tax exclusions (currently 18) are applied through an exclusion from the definition of retail sale (e.g. casual sale, businesses subject to the Service Provider Tax, sales to a retailer for resale).

COVID Recession Has Unprecedented Impact on Consumer Spending

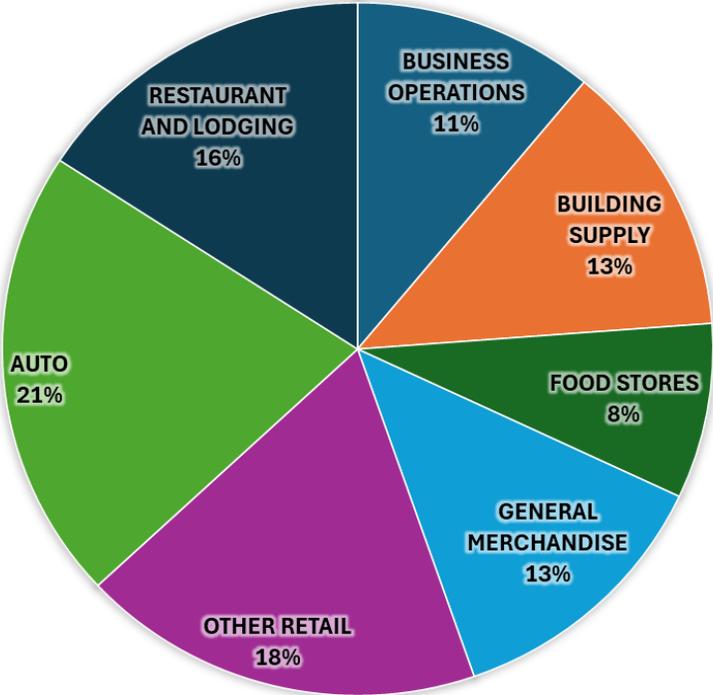


Service Sector Hit the Hardest in Pandemic

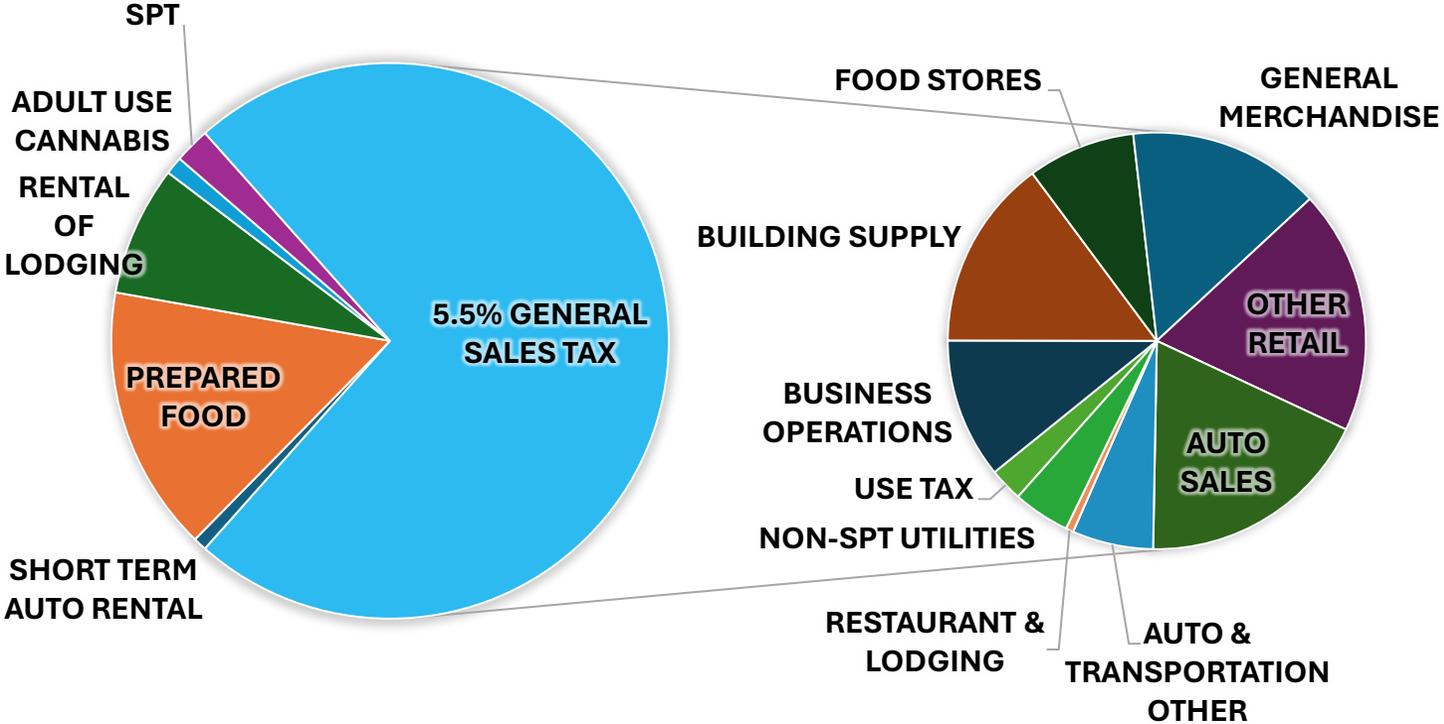


Sources of Sale & Use Tax Revenue

FY24 TAXABLE SALES BY STORE GROUP



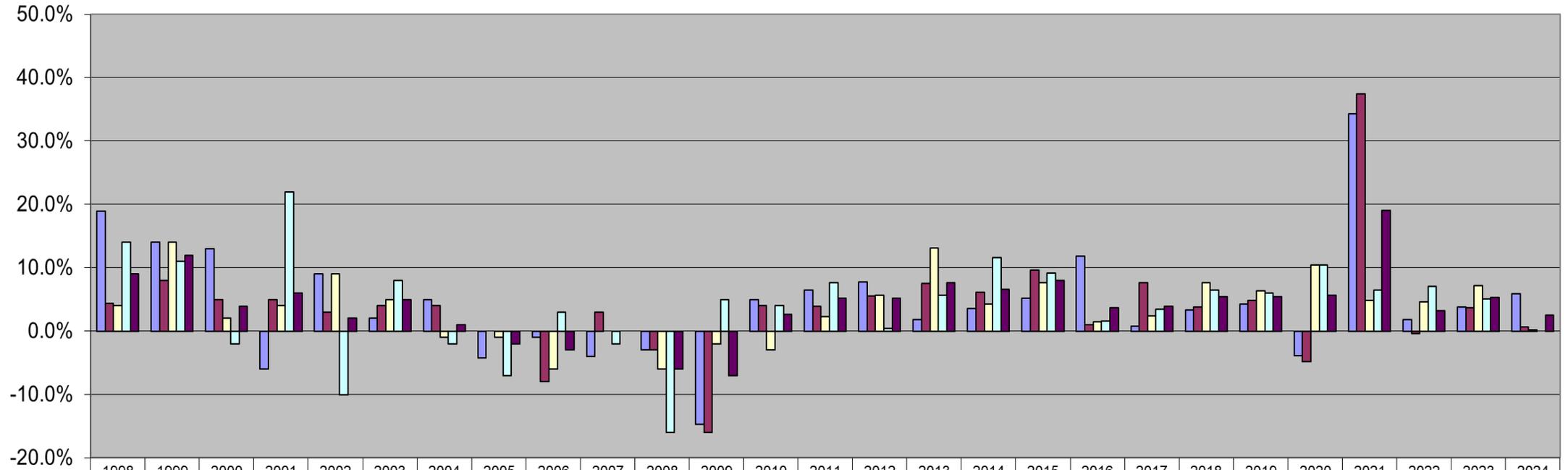
FY24 TAX LIABILITY BY TAX TYPE



	Definitions of store-type groups		Tax type	FY24 tax liability	% of total
Business Operations					
	This group includes sellers of commercial fishing supplies, office supplies, computer software & hardware, construction equipment, agricultural supplies & machinery, heating oil; printing companies; and manufacturers.		Short term auto rental (10%)	\$ 17,691,704	0.8%
Building Supply					
	Durable equipment sales, contractors' sales, hardware stores and lumber yards.		Prepared food (8%)	\$ 349,657,594	15.5%
Food Stores					
	All food stores from large supermarkets to small corner food stores. The values here are non-food items only and non-grocery staple food items, since grocery staples are not taxed.		Rental of lodging (9%)	\$ 170,963,722	7.6%
General Merchandise					
	In this sales group are stores carrying product lines generally carried in large department stores. It includes clothing, furniture, shoes, household durable goods, home furnishings, etc.		Adult use cannabis (10%)	\$ 23,353,261	1.0%
Other Retail					
	This group includes a wide selection of taxable sales not covered elsewhere. Examples are dry goods stores, drug stores, jewelry stores, sporting goods stores, antique dealers, morticians, book stores, photo supply stores, gift shops, etc.		SPT (6%)	\$ 46,711,269	2.1%
Auto					
	This sales group includes all transportation related retail outlets. Included are auto dealers, auto parts, aircraft dealers, motorboat dealers, automobile rental, etc.		General sales tax (5.5%)	\$ 1,643,325,908	73.0%
Restaurant And Lodging					
	This group includes businesses selling prepared food for immediate consumption or renting short-term lodging.		Total	\$ 2,251,703,458	100.0%

Auto/Transportation Taxable Sales

Year-Over-Year Percent Change



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Qtr. I	18.9%	14.0%	13.0%	-6.0%	9.0%	2.0%	5.0%	-4.2%	-1.0%	-4.0%	-3.0%	-14.7%	5.0%	6.5%	7.8%	1.8%	3.6%	5.2%	11.8%	0.8%	3.3%	4.3%	-3.9%	34.3%	1.8%	3.8%	5.9%
■ Qtr. II	4.4%	8.0%	5.0%	5.0%	3.0%	4.0%	4.0%	0.0%	-8.0%	3.0%	-3.0%	-16.0%	4.0%	3.9%	5.5%	7.5%	6.1%	9.6%	1.0%	7.6%	3.9%	4.8%	-4.8%	37.4%	-0.4%	3.7%	0.6%
■ Qtr. III	4.0%	14.0%	2.0%	4.0%	9.0%	5.0%	-1.0%	-1.0%	-6.0%	0.0%	-6.0%	-2.0%	-3.0%	2.3%	5.6%	13.1%	4.3%	7.6%	1.5%	2.4%	7.6%	6.3%	10.4%	4.8%	4.6%	7.2%	0.2%
■ Qtr. IV	14.0%	11.0%	-2.0%	22.0%	-10.0%	8.0%	-2.0%	-7.0%	3.0%	-2.0%	-16.0%	5.0%	4.0%	7.6%	0.4%	5.6%	11.6%	9.2%	1.6%	3.5%	6.5%	6.0%	10.4%	6.5%	7.0%	5.1%	
■ Year	9.0%	12.0%	3.9%	6.0%	2.0%	5.0%	1.0%	-2.0%	-3.0%	0.0%	-6.0%	-7.0%	2.6%	5.2%	5.2%	7.6%	6.6%	8.0%	3.7%	3.9%	5.4%	5.4%	5.6%	19.0%	3.2%	5.3%	2.5%

Quarter & Calendar Year

Sales and Use Tax History and Forecast

\$million

Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast (\$)	Revision to current forecast (%)
2021	\$1,804.23	15.97%		
2022	\$2,078.88	15.22%		
2023	\$2,173.05	4.53%		
2024	\$2,262.23	4.10%	\$10.07	0.45%
2025	\$2,310.10	2.12%	\$23.40	1.02%
2026	\$2,355.21	1.95%	\$30.75	1.32%
2027	\$2,385.06	1.27%	\$26.97	1.14%
2028	\$2,435.44	2.11%	\$2,435.44	
2029	\$2,467.48	1.32%	\$2,467.48	

- FY24 finished \$10 million over budget
- FY25 revenue through October is \$4.3 million over budget
- Sales growth is slowing, but not as quickly as projected in the March forecast

Individual Income Tax

Growth in Maine Resident Income Tax Liability

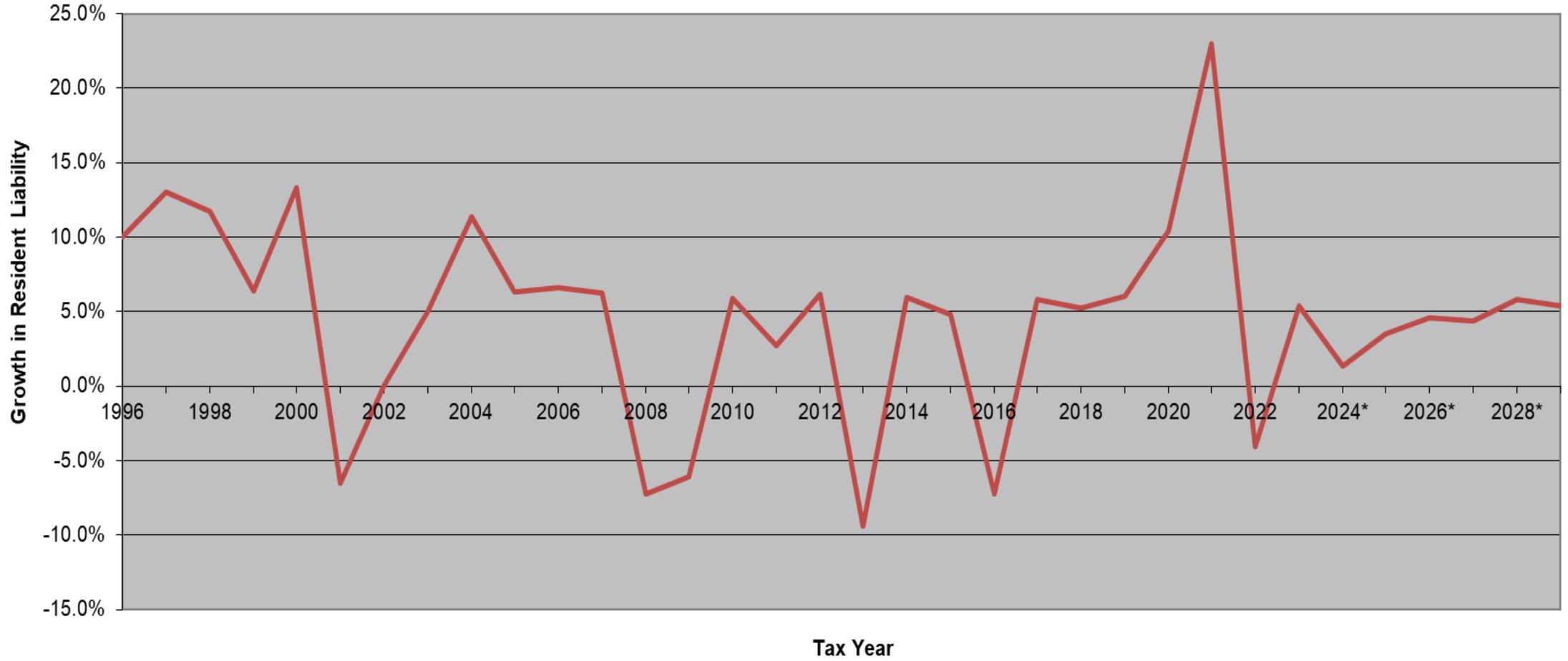
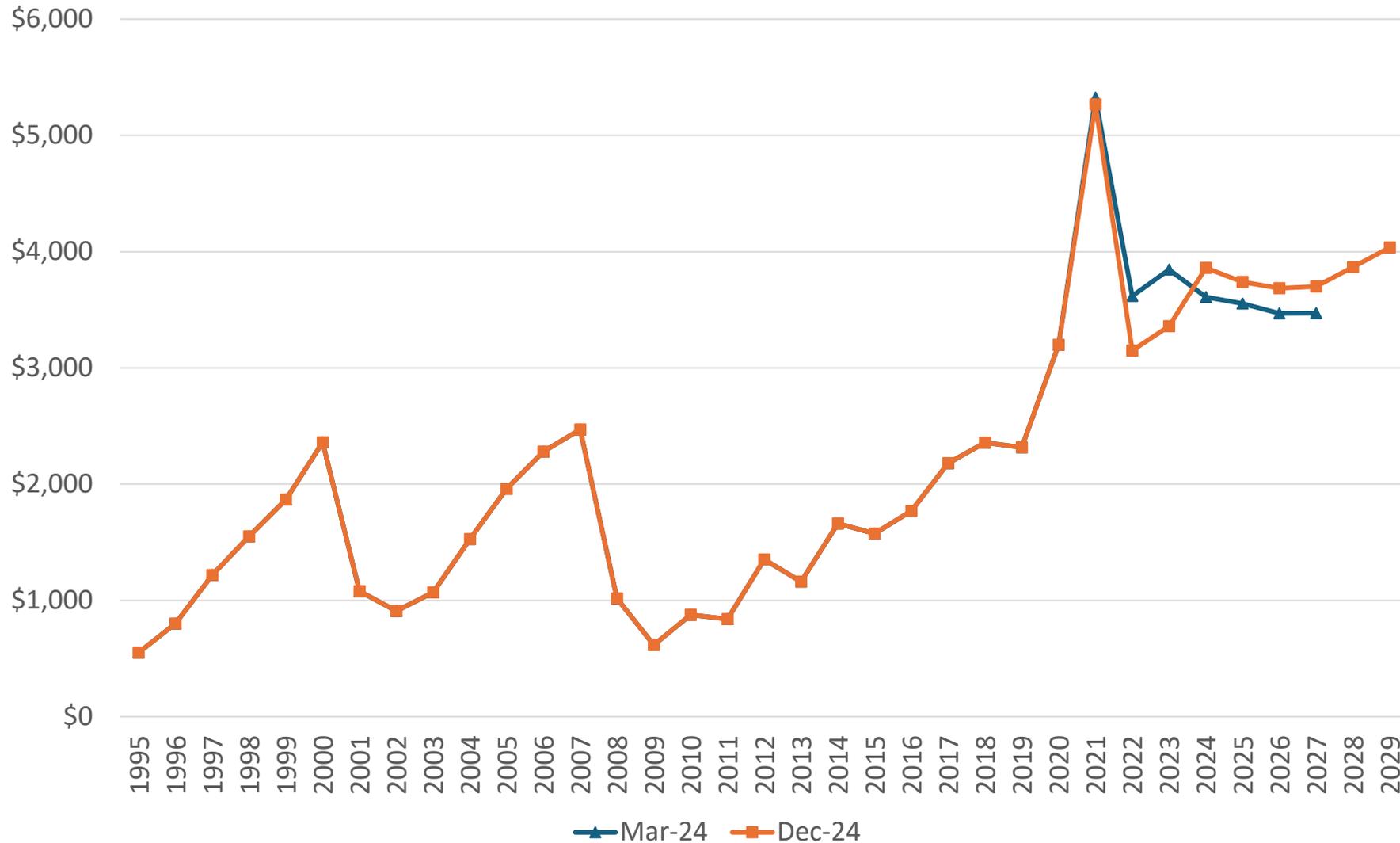


Table 1: Distribution of Maine Income Tax by Maine Adjusted Gross Income for Maine Resident Returns, 2023

Full-year resident returns excluding dependent returns

Income Group	Maine AGI			Maine Liability		Maine Liability + Credit for Income Tax Paid to Other Jurisdictions	
	MAGI Upper Bound	Amount	Share of Total	Amount	Share of Total	Amount	Share of Total
Lowest 20%	\$15,682	\$234.1	0.5%	-\$73.6	-3.6%	-\$73.6	-3.5%
20 - 30	\$26,343	\$1,383.7	2.8%	-\$27.1	-1.3%	-\$27.0	-1.3%
30 - 40	\$36,367	\$2,075.5	4.2%	\$6.4	0.3%	\$6.6	0.3%
40 - 50	\$45,964	\$2,710.2	5.5%	\$42.2	2.1%	\$42.6	2.0%
50 - 60	\$57,810	\$3,402.8	6.8%	\$86.5	4.3%	\$87.4	4.2%
60 - 70	\$74,799	\$4,333.7	8.7%	\$138.9	6.9%	\$140.6	6.7%
70 - 80	\$101,796	\$5,749.3	11.6%	\$209.7	10.4%	\$213.0	10.2%
80 - 90	\$151,118	\$8,133.5	16.4%	\$346.0	17.1%	\$352.7	16.8%
90 - 95	\$211,659	\$5,816.0	11.7%	\$289.5	14.3%	\$296.5	14.1%
95 -99	\$493,880	\$7,820.0	15.7%	\$477.5	23.6%	\$493.4	23.5%
Top 1%		\$8,058.8	16.2%	\$529.0	26.1%	\$564.5	26.9%
Total		\$49,717.4	100.0%	\$2,024.9	100.0%	\$2,096.8	100.0%

Full-Year Resident Capital Gains History and Forecast



3% Surtax on Taxable Income Above \$200,000, Maine Residents

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016*	2017*
Tax Year	Surtax (\$thousand)												
Total	\$73,105	\$85,487	\$102,832	\$69,481	\$ 55,433	\$ 67,647	\$ 68,888	\$ 93,668	\$ 82,414	\$ 93,378	\$107,726	\$115,081	\$124,640
		16.94%	20.29%	-32.43%	-20.22%	22.04%	1.83%	35.97%	-12.02%	13.30%	15.37%	6.83%	8.31%
	Returns with Surtax												
Total	7,685	8,277	9,144	7,814	7,181	8,010	8,695	9,722	10,328	11,603	12,839	15,010	16,156
		7.7%	10.5%	-14.5%	-8.1%	11.5%	8.6%	11.8%	6.2%	12.3%	10.7%	16.9%	7.6%
* Signifies estimate based on March 1, 2016 Revenue Forecasting Committee Report													
Department of Administrative and Financial Services													
Maine Revenue Services													
Office of Tax Policy													