



MAINE REVENUE SERVICES SALES, FUEL & SPECIAL TAX DIVISION INSTRUCTIONAL BULLETIN NO. 35

NONRESIDENT WOODS OPERATORS

This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. It contains general and specific information of interest as well as interpretations and determinations by Maine Revenue Services regarding issues commonly faced by your business.

1. Sales Tax Registration Requirements

The sales tax is a tax levied on the sale of tangible personal property in Maine. Tax is based upon the sale price of the item sold. The seller adds the equivalent of the tax to the sale price. The seller must charge, collect and remit tax on all taxable sales to Maine Revenue Services.

Canadian operators and individuals are typically involved in wood harvesting operations in Maine based on specifically designated geographical areas. This often involves the contractor establishing and maintaining a “camp” and furnishing meals for employees. If the facility sells meals to employees and/or includes the operation of a store for the convenience of the employees, the contractor would be required to register as a retailer with the Sales, Fuel & Special Tax Division of Maine Revenue Services. The contractor would be required to add tax where applicable and to report and pay tax on such sales.

2. Use Tax

When tangible personal property is purchased outside Maine for use in Maine, or in other cases where sales tax in Maine was not paid at the time of purchase, the purchaser becomes liable for use tax (based upon the purchase price of the property, and at the same rate as the sales tax). Use tax must be reported and paid directly to Maine Revenue Services.

Sometimes a contractor or employee will bring equipment into Maine. If such equipment was not purchased in Maine with sales tax paid at the time of purchase, use tax (at the same rate as sales tax) based upon the purchase price of the equipment in US currency, is due at the time the equipment is brought into the State. It will be assumed that equipment brought through customs in the name of the contractor or employee is owned by and is the responsibility of the individual importing the equipment.

Equipment, purchased in Canada and brought into Maine for use, is not subject to tax if it was purchased for use in Canada, and was used for at least 1 year in Canada before being brought

into Maine. Acceptable evidence of such use would include a sales contract or invoice dated at least one year prior to coming into Maine.

If the equipment was purchased in a Canadian Province other than Quebec or New Brunswick and a provincial **sales** tax was paid at the time of purchase, that provincial sales tax payment would be credited toward use tax liability in Maine. Evidence, such as an invoice or sales contract would be required indicating that such tax was collected.

However, both Quebec, (TVQ Tax) and New Brunswick (HST Tax) now administer value added provincial taxes to goods and services which is refundable to registered accounts. Since these taxes are not the equivalent of a sales/use tax, these taxes cannot be credited to offset any Maine use tax liability.

Please note that the TVQ tax in Quebec and the HST tax in New Brunswick are not a provincial sales tax and cannot be credited toward use tax liability in Maine.

Trade-in Credits; Casual Sales. If lumber-harvesting equipment that has been brought into Maine was purchased in Canada and a trade-in credit from another piece of special mobile equipment was allowed toward the sale price of the new equipment, then the Use Tax would be applied to the difference only.

If used lumber-harvesting equipment is purchased at casual sale (purchased used from an individual) there will be no Use Tax due.

3. Records.

While no detailed instructions can be given as to records which must be maintained, the taxpayer should have available for inspection such records as are necessary to determine tax liability. Such records may include invoices, loan contracts, depreciation schedules and any supporting documentation. Any seller must maintain an accurate record of purchases and of sales. The record of purchases should be supported by the purchase invoices. Such records should be kept for at least six years unless previously reviewed by a Bureau representative.

4. Additional Information.

The above outlines some of the more common problems faced by woods operators in Maine. It is not intended to be all inclusive. Additional information on specific situations may be obtained, requests should be in writing, giving full details.

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