



MAINE REVENUE SERVICES

SALES/EXCISE TAX DIVISION GENERAL INFORMATION BULLETIN

September 1, 1999

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NO. 89

This bulletin contains important information about recent developments and issues that affect everyone who pays Maine sales and use taxes. Please read it carefully.

LEGISLATIVE CHANGES

SALES TAX RATE TO DECREASE ON JULY 1, 2000

The Governor's supplemental budget bill included a sales tax decrease from 5 ½ % to 5% **effective July 1, 2000**. (It did **not** reduce the 7% nor the 10% rates.) It also repealed the automatic trigger which would decrease the rate by ½% if the general fund revenue rose by more than 8% over the prior year. More information regarding the decrease will be issued by the Bureau next spring as the effective date approaches.



LARGE RETAILERS NO LONGER REQUIRED TO FILE ESTIMATED PAYMENTS

Retailers with more than \$250,000 of tax remittance during a calendar year have been required to file estimated payments on the 24th of the month. Recent legislation repealed that provision effective September 18, 1999. As a result, the last required estimated payment is **August 24, 1999**. Estimated filers should have received notification of this repeal with their August voucher.



RENTAL OF AUDIO TAPES, AUDIO EQUIPMENT AND FURNITURE SUBJECT TO SALES TAX

Establishments, like rent-to-own companies, which are engaged in renting audio tapes, audio equipment and furniture, will be required to collect sales tax on rental payments received beginning with rental agreements entered into on or after **October 1, 1999**. In addition, the rental company's purchase of such items to rent will be exempt. Prior to this change, such companies were required to pay tax when purchasing these items for rental and not collect tax on the rentals received.



PREPAID CALLING CARDS AND ARRANGEMENTS TAXABLE AT TIME OF SALE

Beginning **September 18, 1999**, the sale of prepaid calling cards and prepaid calling arrangements are subject to tax at the time the card or arrangement is sold. Previously, the sale of prepaid calling cards and arrangements were treated as prepayments of future telecommunications service and not subject to tax at the time of sale. Whether or not the services were taxable were determined as each call was made.



TRUCK CAMPERS ALLOWED TRADE-IN CREDIT; TAXABLE AT CASUAL SALE

Beginning **September 18, 1999**, the trade-in of a truck camper against the purchase of a camper trailer or another truck camper is allowed as a credit against the sale price before calculating the sales tax. Previous to this, since slide-in truck campers were not considered "camper trailers", no sales tax credits for trade-ins were allowed.

Purchasers of truck campers at casual sale will be required to pay use tax as a prerequisite to registration.

ORGANIZATIONS EXEMPT FROM SALES TAX

The following organizations have legislatively been granted a sales tax exemption effective **September 18, 1999**:

- Incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia
- Incorporated, nonprofit child abuse and neglect councils
- Statewide organizations that advocate for children and that are members of the Medicaid Advisory Committee

Organizations which qualify for exemption must apply with the Bureau to receive a Permanent Exemption Certification. **Retailers are reminded not to grant sales tax exemptions unless they have on file a permanent exemption certificate issued by the Bureau.**



TELEPHONE AND TELEGRAPH SERVICE REDEFINED AS TELECOMMUNICATIONS SERVICES

The old term "telephone and telegraph service" has been redefined as "telecommunications services". Along with modernizing the terminology, the new definition provides two additional exclusions: the sale of unbundled network services and the sale of prepaid calling arrangements. These changes are effective **September 18, 1999**.



SALES TO EXEMPT ORGANIZATIONS

The sales and use tax exemptions provided to specific organizations, apply only if the property or service sold is intended to be used by the organization primarily in the activity identified by the particular exemption. If the organization is engaged in both exempt and nonexempt activities, the exempt certificate is issued only for the purpose of purchasing items for use in the exempt activity.



OTHER CHANGES (Effective June 5, 1999)

- ✕ Transmission and distribution of electricity is a taxable service.
- ✕ References to residents or nonresidents in the statute pertaining to sales tax exemptions refer to individuals only.
- ✕ References to the sale of electricity within the sales tax law also include the transmission and distribution of the electricity.
- ✕ Purchases by contractors who have construction contracts with exempt organizations are exempt regardless of when the contract was entered into.
- ✕ Property delivered by the seller outside the State is exempt from Maine sales tax.



OTHER CHANGES (Effective September 18, 1999)

- ✕ Sale/leaseback transactions involving production machinery and equipment are exempt whether the purchaser agrees before or after the purchase to enter into the sale/leaseback transaction and whether the purchaser's use in production commences before or after the sale/leaseback occurs.
- ✕ Meals served by colleges to employees of the college are exempt when the meals are purchased with debit cards issued by the college.
- ✕ The purchase of cable converter boxes by cable tv companies are exempt. Rentals of such boxes continue to be taxable as extended cable television services.
- ✕ Net energy billing customers are subject to tax on the net amount billed rather than the gross amount.
- ✕ Any materials used in the construction, repair or maintenance of an animal waste storage facility which is certified by the Commissioner of Agriculture are exempt.
- ✕ Sales of advertising and promotional materials printed on paper and purchased for subsequent transport outside of Maine for use solely outside of Maine is exempt.



ADDITIONAL INFORMATION OF GENERAL INTEREST

INTERNET FILING OF SALES TAX RETURNS

All retailers, other than consolidated filers, now have the ability to file their sales tax returns through the internet. Announcements were sent with the June sales tax returns. Check it out at <http://janus.state.me.us/revenue> and click on "Internet Filing". At the next screen select "Sales Tax Online". *Helpful Hint: When entering your business code during the registration process, please note it must be 3 digits. If the business code on your return indicates two digits, place a 0 in front of your business code; i.e. 041.*



SALES AND USE TAX SEMINARS

Once again, sales and use tax symposiums have been scheduled across the state. These seminars have been very informative and well received by those attending. Announcements were mailed with the June sales/use tax returns. If you have an interest in attending and have not yet registered, there is still ample time to register for the Augusta sessions which will be held on November 18 and 19 at the Augusta Civic Center. (Since registrations were due August 25, 1999 for all other locations, it is likely that other seminars are currently booked.) If you would like additional information, please call 207-624-9741.



SALES TO NONRESIDENT RETAILERS

Periodically, out-of-state retailers will purchase from Maine retailers goods which they will resell in their home state. Since these retailers are not registered in Maine, they are unable to provide a valid Maine resale certificate. However, it is responsibility of the Maine retailer to document why the transaction is exempt. What should the Maine retailer receive for documentation?

The bureau's advice in the past has been to obtain a statement from the retailer similar in nature to the language found in our resale certificate to which the out-of-state retailer would affirm that the retailer is engaged in making sales in "X" state and that the goods being purchased will be resold in "X" state. This statement placed on the out-of-state retailer's letterhead would provide further assurance that the statements are true. Alternatively, MRS has accepted the "Uniform Sales & Use Tax Certificate - Multijurisdiction" form issued by the Multistate Tax Commission as adequate documentation. This form contains the required language and the purchaser indicates which states the purchaser is registered to do business. Not all states have accepted this form, however. As a result, this form would not be acceptable if the out-of-state purchaser is from a state not listed on this form. Call or write our office if you would like a copy of the MTC form or download it directly from their website at www.mtc.gov and select "Taxpayer Services".

SALES OVER THE INTERNET

Due to the ever increasing use of the internet, we are often asked how Maine sales tax applies to these sales. Maine has historically treated internet sales the same as catalog sales. If the retailer is registered in Maine and makes sales to Maine residents, the transaction is taxable in Maine. If the retailer is not required to register in Maine, the sales are not subject to Maine sales tax. However, the transaction is subject to Maine's use tax and the purchaser is liable directly to Maine for the use tax on such purchases.

As a Maine retailer, if you are making internet sales for delivery to Maine residents, you must include sales tax. If goods are sold and delivered outside the state, Maine sales tax does not apply.



ELECTRONIC RETENTION OF TAX RECORDS

Advancing technology in the area of record retention requires the bureau to consider new standards of acceptability for such documentation. The bureau accepts imaged documents stored in a digital format provided 1) the system meets accepted industry standards for integrity and reliability, 2) the procedures used to capture and store information is reliable and includes safeguards to guarantee authenticity, 3) detail is captured and retained in order to efficiently conduct a sales/use tax review and 4) adequate

hardware/software is available to readily access records. The retention of original hard-copy documents will depend upon the accuracy, integrity and authenticity offered by the system.

Maine Revenue Services is currently in the process of drafting a rule regarding electronic records and retention.



NEED ASSISTANCE?

Telephone assistance is available between the hours of 8:00 a.m. and 5:00 p.m., Monday thru Friday. By calling **207-287-2336**, you can order forms, apply for a sales/use tax registration or ask for technical assistance. In order to best assist you, please have your sales tax registration #, EIN or SSN available. **Confidential information can only be divulged to the taxpayer indicated on the account.**

Due to the renovations to the State Office Building, walk-in assistance is available between the hours of 8:30 a.m. to 4:30 p.m., Monday thru Friday in Room 301 of the Edmond S. Muskie Building, located on the corner of Western Avenue and Sewall Street (Post Office Building).

Written inquiries should be directed to the address found at the end of this bulletin



PURCHASES BY FEDERAL EMPLOYEES

The federal government has issued new credit cards for its employee purchases. The majority of the new cards will be direct-billed to the federal government which are exempt sales. However, there will be cards which are billed to the employee, for later reimbursement, which are taxable sales. The following describes the cards and their tax status:

Fleet card - states "For Official Government Fleet Use Only"

Purchases are centrally billed and exempt from sales tax

Purchase card - states "For Official US Government Purchases Only US Government Tax Exempt"

Purchases are centrally billed and exempt from sales tax

Travel Card -states "For Official Government Travel Only"

Purchases with cards which have a 0, 6, 7, 8 or 9 in the sixth digit are exempt. All others are taxable sales.

Integrated card - states "For Official Government Use Only"

Fleet and purchase type transactions are exempt. Travel purchases are exempt if sixth digit is a 0, 6, 7, 8 or 9.



Additional information about these and other issues you may have, should be directed to:

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