



MAINE REVENUE SERVICES

SALES, FUEL & SPECIAL TAX DIVISION

GENERAL INFORMATION BULLETIN

September 15, 2001

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NO. 91

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

CURRENT LEGISLATIVE CHANGES

SALES TAX RATE ON PREPARED FOOD INCREASES TO 7% ON OCTOBER 1, 2001

The Maine legislature recently enacted a sales tax increase from 5% to 7% on all food prepared by a retailer effective October 1, 2001. Previously the 7% rate applied only to those establishments that were licensed to serve alcoholic beverages on premises. Although often referred to during the legislative session as well as in the media as a “meals tax”, the enacted language applies the 7% rate to all food that any retailer prepares. This will affect all forms of prepared food, from coffee or a steamed hot dog sold by a convenience store to a meal sold by a fast food chain.

The new definition of “prepared food” applies to:

- all meals
- all food and drink prepared by the retailer and ready-to-eat and
- all food and drink sold by a retailer that is predominately in the business of selling food prepared by that retailer.

A detailed notice was mailed last month to all retailers explaining the impact of this new legislation. Additional copies are available at MRS or can be obtained from our website at <http://www.state.me.us/revenue/bulletins>.

USE OF SALES TAX SHORT FORM TEMPORARILY SUSPENDED

Those retailers who were previously filing the “short” version of the sales tax return will be required to file the “long” version beginning with the October 2001 return. Many retailers affected by the change in sales tax rate on prepared food will be required to report both 5% and 7% tax. The short version only accommodates sales at the 5% rate. Since MRS is unable to determine which retailers will be affected by this change, the use of the “short” version of the sales tax return will be temporarily suspended. All sales tax accounts will receive the long form automatically beginning October 2001. MRS plans to re-analyze all sales tax accounts and reinstate the “short” version for qualifying retailers early in 2002.

RETAILER’S NOW FACED WITH APPLYING MULTIPLE TAX RATES

The increase of sales tax on prepared food will require certain retailers to impose multiple tax rates. For instance a convenience store selling prepared food will be faced with collecting 7% tax on food that they have prepared such as hot coffee or steamed hot dogs, and 5% on taxable items such as soda, beer and candy.

Retailers are advised to verify that their cash registers or point-of-sale equipment can accommodate multiple tax rates.

SALES OF MEALS BY AUXILIARY ORGANIZATIONS EXEMPT

Sales of meals by a nonprofit auxiliary organization of the American Legion in connection with a fund-raising event sponsored by the auxiliary organization are exempt provided the meals are provided in a room separate from the lounge facilities. This exemption is effective October 1, 2001.

EXEMPTIONS OF THE FUTURE

Two other sales tax related exemptions were enacted during the recent legislative session but do not take effect until 2002.

- Sales to memorial foundations that primarily provide cultural programs free to the public are exempt effective July 1, 2002.
 - Effective October 1, 2002, use tax is not imposed on the donation of merchandise by a retailer from inventory to an organization if sales to that organization are exempt from sales tax.
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LEASES OF CERTAIN VEHICLES TO NONRESIDENTS FOR IMMEDIATE REMOVAL TAXABLE ONCE AGAIN

As reported in last year's bulletin, the lease of motor vehicles, semitrailers, aircraft, truck bodies and trailers manufactured in Maine and camper trailers to nonresidents who had immediately removed them from Maine, were exempt from tax during the period of August 11, 2000 through June 30, 2001. Since the sunset provision was not extended or removed, such leases are again taxable. Refer to Instructional Bulletin #24 for more information on this topic.

CIGARETTE AND TOBACCO PRODUCTS TAX NEWS

RETAILERS IMPORTING TOBACCO PRODUCTS WITHOUT PAYMENT OF MAINE EXCISE TAX REQUIRED TO REGISTER

Effective September 21, 2001, every retailer that brings into Maine tobacco products upon which the Maine excise tax has not been paid is required to register with the State Tax Assessor and obtain a license before engaging in that business. This does not include retailers who only purchase from Maine licensed distributors. Once registered, the retailer is required to file monthly returns reporting purchases made during the preceding month and remit the appropriate excise tax.

If you are a retailer who purchases tobacco products from a source other than a Maine licensed distributor, please complete the application for registration attached to this bulletin and send it to Maine Revenue Services. This annual application must be accompanied by a \$25.00 fee.

CIGARETTE EXCISE TAX INCREASES TO \$1.00 PER PACK

Retailer's Required To File Inventory Return

Effective October 1, 2001, the Maine excise tax on cigarettes increases from 37 mills to 50 mills, or \$.74 to \$1.00 per pack of 20 cigarettes. Although the excise tax is imposed at the distributor level, retailers will be affected by an increase in the cost of cigarettes purchased on or after October 1 and by a requirement to report directly to the state all cigarettes in inventory at the start of the day October 1 and remit the additional tax on this inventory. The due date of filing the return is October 1, 2001. Payment of the "floor stock tax" is not due until January 1, 2002.

Floor stock tax returns are being mailed to all retailer's holding a license issued by DHS for the retail sale of cigarettes.

OTHER NEWS AND INFORMATION

Retailer's Reporting \$400,000 or More Annually Required To Pay By Electronic Funds Transfer

A taxpayer that has \$400,000 or more in annual sales tax payments is required to pay their monthly sales tax collections through electronic funds transfer. This, as well as the filing of the sales tax return, can be easily accomplished by filing through the internet. See <http://www.state.me.us/revenue> and select "Electronic Filing". EFT payments are required even though the return is not filed electronically.

Maine Revenue Services and E-commerce

Maine Revenue Services offers electronic tax filing and payment options. Our goal is to provide simple, error-free methods of electronic filing and payment and reduce the reliance on paper forms. For more information, to file a return or to apply for ACH credit or ACH debit payment options, please visit our Web site at <http://www.state.me.us/revenue> or contact our EFT Unit at 287-8276.

Electronic Filing

I-File. Income Tax, Sales and Use Tax and Combined Withholding and Unemployment returns may be filed through our Web site at <http://www.state.me.us/revenue>.

Electronic Funds Transfer

TeleDebit. TeleDebit is our newest EFT program and allows taxpayers to make a telephone call to initiate a request for the amount of tax payments to be debited from a designated account at their bank. To begin electronic payments with this method the taxpayer must submit a TeleDebit application/authorization agreement.

ACH Credit. Taxpayers who choose the ACH credit option are responsible for making the arrangements necessary to initiate the transfer of funds representing the tax payment into the Maine Revenue Services receiving bank account. The tax payment must be accompanied by identifying information that enables MRS to credit the correct taxpayer account, tax type and tax period.

Sales and Use Tax Symposiums

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. Our schedule for this fall is:

October 2	Caribou Inn and Convention Center	Caribou, ME
October 3	Ramada Inn	Bangor, ME
October 11	Doubletree Hotel	Portland, ME
October 18	Doubletree Hotel	Portland, ME
October 24	Ramada Inn	Bangor, ME

For those in the Augusta area, the Sales and Use Tax Symposium will also be a participant in the Maine Tax Forum to be held on October 31 and November 1 at the Augusta Civic Center. All retailers should have received registration information last month. Although the deadline for registration may have past by the time you have received this bulletin, you can inquire if room is still available by calling (207) 287-2336.

MRS Restructures Audit Functions

In October 2000, MRS recognized the advantage of combining administrative and audit functions to improve overall communication and efficiencies. The Sales/Excise Tax Division and Audit Division were reorganized to blend both compliance education and compliance auditing. The organizational restructuring between the administrative and audit functions insures clarity in purpose, clarity in communication, quality taxpayer service and timely and consistent decisions.

The Sales, Fuel and Special Tax Division, under the direction of Peter Beaulieu, not only services sales and use tax, but also Gasoline, Special Fuel, Cigarette, Tobacco Products, Railroad, Potato, Blueberry and Mahogany Quahog taxes. One of the main goals of the restructuring was to improve taxpayer education. We would like to highlight two of our recent successes.

In the administrative area, we found that when a new retailer registers with MRS to collect sales tax, little information was forwarded to them about sales and use tax and how it affects their business. To improve our educational effort of new retailers, a "New Taxpayer Portfolio" is now custom created for that retailer. The portfolio contains general information about sales and use tax, tax rate charts, internet filing instructions, "Your Rights as a Taxpayer", the most recent legislative changes concerning sales and use tax, the retailers seller's certificate and how to use it and how to use a resale certificate. But more importantly, our staff reviews what type of business this taxpayer conducts and includes specific information on that industry type such as instructional bulletins, special notices and frequently asked questions. This portfolio, which comes assembled in a pocketed folder, has been well accepted and provides the retailer with a convenient resource of information for future reference.

In the audit area, we found that when an audit is completed, the auditor discusses the results of the audit with the taxpayer and leaves copies of the work papers. We felt we could improve taxpayer education in this area by standardizing the audit package and provide the taxpayer with a written summary of the audit findings. This approach has already been used by some auditors and will become the standard for all audits beginning July 1, 2001. At the exit discussion, the taxpayer is presented with an "Audit Findings Report" which standardizes a written narrative of the auditor's findings along with the exhibits and schedules and organizes this information in a convenient binder. After the exit discussion, the auditor also sends the taxpayer a written summary of that discussion.

MRS is committed to providing excellent customer service and education. We hope that the above accomplishments, in addition to ongoing improvements, will foster compliance and a spirit of cooperation.

MORE INFORMATION AVAILABLE AT [HTTP://WWW.STATE.ME.US/REVENUE](http://www.state.me.us/revenue)

Our website address has changed from "janus" to "www". Please make sure that your "favorites" list or any other links you may have reflect this new address. As always, we continue to make available on our website as much information as possible which historically had only been obtainable by mail. All of our bulletins and most of our affidavits can be found at <http://www.state.me.us/revenue>. As a bulletin is amended, the revised bulletin will appear on the website much earlier than the published printed version. If any bulletin is of interest to your business, we advise you to periodically check our website for updated versions.

Additional information about these and other issues you may have should be directed to: Maine Revenue Services, Sales, Fuel and Special Tax Division, P. O. Box 1065, Augusta, ME 04333-1065. Tel: (207) 287-2336 TTY: (207) 287-4477.

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STATE OF MAINE
MAINE REVENUE SERVICES
SALES, FUEL & SPECIAL TAX DIVISION
(M.R.S.A., Title 36, Chapter 704.)

APPLICATION for RETAIL TOBACCO PRODUCTS LICENSE

Fee - \$25.00

Name and Location of Licensee:

<p>For office use only</p> <p>License No. _____</p> <p>Date Issued _____</p>

Application is hereby made for a Retail Tobacco Products License.

1. Business address, if different than indicated above.

1A. EIN Number _____

2. If single owner, give name of owner _____

2A. SS# _____

3. If partnership, give names and addresses of the several partners

Name _____ Address _____

Name _____ Address _____

4. If corporation, give names and addresses of principal officers or agents within Maine.

Name _____ Address _____

Name _____ Address _____

Date of Application _____ Tel.# _____

Signature of Applicant

THE LICENSE TO BE ISSUED WITH THIS APPLICATION WILL EXPIRE JULY 31, 2002.

Forward this completed application to Maine Revenue Services, Sales, Fuel & Special Tax Division, PO Box 1064, Augusta, Maine 04333 with a check or money order in the amount of \$25.00 made payable to the STATE TREASURER.

For assistance, please call (207)624-9745