



# MAINE REVENUE SERVICES

## SALES, FUEL & SPECIAL TAX DIVISION

### GENERAL INFORMATION BULLETIN

July 1, 2008

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NO. 98

*This bulletin contains important information about recent developments and issues that affect everyone who reports Maine sales, fuel and special taxes. Please read it carefully.*

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#### *UPCOMING EDUCATIONAL FORUMS*

Sales and use tax symposiums are being planned for the Bangor, Augusta and Portland areas later this year. When dates and locations are finalized, they will be posted to our website and announcements will be included in your sales tax return.

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### ***RECENT LEGISLATIVE CHANGES***

#### ***Sales, Use and Service Provider Taxes***

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#### **FOREST PRODUCTS**

#### **LIMITED TIME EXEMPTION CERTIFICATE AND REBATE ON PARTS AND SUPPLIES**

A person engaged directly and primarily (more than 50% of the time) in the harvest-related transport of forest products (as defined below) is eligible to apply for a sales tax exemption certificate for the purchase of parts and supplies used in the repair and maintenance of motor vehicles and trailers that are directly and primarily used in transporting forest products from the forest land where they were harvested to their initial destination involving production or use. This certificate only applies to purchases made on or after April 1, 2008 but before October 1, 2008.

“Forest products” are defined as logs, pulpwood, bolt wood, wood chips, stud wood, poles, pilings, biomass or fuel wood or other products commonly known as forest products, but does not include Christmas trees, maple syrup, nursery products used for ornamental purposes, wreaths, bough material, cones, or other seed crops.

For those purchasers who are engaged primarily in the harvest-related transport of forest products and have already paid sales tax on qualifying parts and supplies between April 1, 2008 and September 30, 2008, a sales tax refund is available. A refund application must be filed within 36 months of the date of the qualifying purchase. For more information on the exemption certificate and the refund provision, call (207) 624-9693 or refer to our website at: <http://www.maine.gov/revenue/>. (*Chapter 658*)

**SERVICE PROVIDER TAX- CHANGE IN DEFINITIONS FOR SERVICES ADMINISTERED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)**

**R**ecent legislation modified the definitions of services administered by DHHS. The services formerly known as Community Support Services, Day Habilitation Services, Personal Support Services, and Residential Training Services are now known as Community Support Services for Persons with Mental Health Diagnoses, Community Support Services for Persons with Mental Retardation or Autism, and Home Support Services. These services all require either licensing or a contract with DHHS.

“Community Support Services for Persons with Mental Health Diagnoses” are rehabilitative services provided to adults at least 18 years of age or to emancipated children that are provided in the context of a supportive relationship pursuant to an individual support plan that promotes a person’s recovery and integration of the person into the community and that sustain the person in that person’s current living situation or another living situation of that person’s choice. “Community support services for persons with mental health diagnoses” includes only those services provided to person with mental health diagnoses.

“Community Support Services for persons with mental retardation or autism” are services provided by community-based agencies to children or adults with mental retardation or autism and include assistance with the acquisition, retention or improvement of self-help, socialization, and adaptive living skills; take place in a nonresidential setting separate from the home or facility in which the child or adult resides, except when a physician has ordered that such services be provided in the child’s or adult’s home, and focus on enabling the child or adult to attain or maintain maximum functional levels.

“Home support services” are services provided to adults with mental retardation or autism, including direct assistance with eating, bathing, dressing, personal hygiene, and other activities of daily living. These services may include assistance with instrumental activities of daily living such as assistance with the preparation of meals, but do not include the cost of the meals themselves. If specified in the adult’s care plan, they may include such housekeeping chores as bedmaking, dusting, and vacuuming that are incidental to the care furnished, or are essential to the health and welfare of the adult. These services may be provided by a provider unrelated to the adult or by an adult relative other than adult recipient’s spouse, but may not be provided in the same setting where residential training is provided. (*Chapter 539*)

Please use the following grid to report your services on the correct line beginning with the July 2008 service provider tax return:

<i>Previous Category</i>	<i>New Category</i>
Line 10 - Community Support Services	Line 10 - CSS - MHD (Community support services for persons with mental health diagnosis)
Line 11 - Day Habilitation Services	Line 11 - CSS – MRA (Community support services for persons with metal retardation or autism)
Line 12 - Personal Support Services	Line 12 - Home support services
Line 13 - Residential Training Services	Line 12 - Home support services

## CASUAL RENTALS OF LIVING QUARTERS

***If*** your only sales tax collection responsibility is the collection of sales tax on casual rentals of living quarters and your liability is expected to be less than \$2,000 a year, you may choose to report that sales tax on your individual income tax return in lieu of filing a sales tax return. If your sales tax from casual rentals is \$2,000 or more per year you must continue to file a sales tax return. (*Chapter 539*)

A word of caution: Reporting the sales tax on your individual income tax return may require you to file estimated payments. For more information, please refer to Form 1040ES-ME which can be found at <http://www.maine.gov/revenue/incomeestate/1040/1040.html> or call (207) 626-8475.

## NEW SALES TAX EXEMPTIONS

***The*** following exemptions were enacted during the recent legislative session:

- Effective June 30, 2008, prepared meals by youth camps are exempt when the camp is licensed by the Department of Health and Human Services, the primary purpose is to provide an outdoor group living experience for children, and the camp is operated and used for 5 or more consecutive days during one or more seasons. (*Chapter 529*)
- Effective August 1, 2008, kerosene or home heating oil that is prepackaged or dispensed from a tank for retail sale in containers with a capacity of 5 gallons or less is presumed to be used for residential cooking and heating and qualifies for a sales tax exemption without the need for supporting documentation. Previously affidavits or logs were required to support the claim that the fuel would be used for residential heating or cooking. (*Chapter 675*)
- An existing exemption provides that any aircraft purchased outside the State by a nonresident and used in Maine within the first 12 months of ownership is not subject to use tax if the use in Maine is less than 21 days. The location of an aircraft on the ground in the State at any time during a day is considered presence in the State for that entire day. Effective July 1, 2008, a day must be disregarded if at any time during that day the aircraft is used to provide free emergency or compassionate air transportation arranged by an incorporated nonprofit organization providing free air transportation in private aircraft by volunteer pilots so children and adults may access life-saving medical care (so called “angel flights”). (*Chapter 691*)

### ***IS YOUR BUSINESS REQUIRED TO FILE ELECTRONICALLY?***

***In*** the last issue, we reported that the Assessor was given the authority to require electronic filing of tax returns. Since then Rule 104 “Electronic Filing of Maine Tax Returns” was adopted. This rule requires electronic filing for sales, use, or service provider tax returns for taxpayers with a tax liability of \$200,000 or more for any one tax for the 12-month period ending September 30<sup>th</sup>. In 2009, the tax liability amount for mandatory electronic filing is reduced to \$100,000 and then \$50,000 for subsequent years. Each year, around November/December, Maine Revenue will conduct a review of all accounts. You will receive notice from MRS if you are required to file electronically. For more information on this rule and how it pertains to your filing, please refer to our website at: <http://mainegov-images.informe.org/revenue/rules/pdf/rule104.pdf>

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**RECENT LEGISLATIVE CHANGES**  
**Other Special Taxes and Fees**

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**PREMIUM ON OIL CHANGES REPEALED AND REPLACED WITH  
PREMIUM ON BULK MOTOR VEHICLE OIL**

**R**ecent legislation repealed the premium imposed on individual motor vehicle oil changes and replaced it with a premium imposed on bulk motor vehicle oil sold or distributed by motor vehicle oil dealers in the State. Oil changes provided on or after August 1, 2008 will no longer be subject to the \$1, \$2, or \$3 premium. A new premium, effective August 1, 2008, is imposed at \$1.10 per gallon for gasoline engine bulk motor vehicle oils and 35¢ per gallon for diesel engine bulk motor vehicle oils sold or distributed in the State. Unlike the premium imposed on motor vehicle oil changes, this premium is imposed on motor vehicle oil dealers on their first sale or distribution of bulk motor vehicle oil in this state. All premiums must be paid monthly to the State Tax Assessor. (**Chapter 618**)

The statute provides the following definitions:

*“Bulk motor vehicle oil” means all motor vehicle oil other than prepackaged motor vehicle oil.*

*“Prepackaged motor vehicle oil” means motor vehicle oil sold in a container with a volume not in excess of 5 gallons.*

*“Motor vehicle oil” means any lubricating oil classified for use in the crankcase of an internal combustion engine, including but not limited to natural, synthetic, and rerefined motor oils, whether or not in retail containers.*

*“Diesel engine bulk motor vehicle oil” means diesel engine bulk motor vehicle oil meeting the performance requirements of American Petroleum Institute CJ-4 standards and all preceding specifications under those standards, inclusive of all viscosity grades.*

*“Gasoline engine bulk motor vehicle oil” means gasoline engine bulk motor vehicle oil meeting the performance requirements of American Petroleum Institute SM and International Lubricant Standardization and Approval Committee GF-4 standards and all preceding specifications under those standards, inclusive of all viscosity grades.*

*“Motor vehicle oil dealer” means any person, firm, or corporation engaged in the business of producing, packaging, or otherwise preparing motor vehicle oil for market, or selling, or distributing motor vehicle oil.*

If you are engaged in selling or distributing bulk motor vehicle oil as defined above, the premium must be collected and remitted to the State Tax Assessor. The premiums will continue to be reported on line 14A of the sales tax return (Form ST-7). For more detailed information, please visit our website at <http://www.maine.gov/revenue/> or call (207) 624-9693.

**FILE AND PAY YOUR RETURNS ELECTRONICALLY**

If you haven't tried Maine's easy way to file returns electronically, check out MRS' website at <http://www.maine.gov/revenue/netfile/gateway2.htm>.

While there, also check out EZ Pay; Maine's easy way to pay any tax debt. .

## NEW SOFT DRINK AND SYRUP TAX

Effective August 1, 2008, a tax is imposed on distributors, manufacturers or wholesale dealers selling or offering for sale in this state simple syrup, bottled soft drinks, and syrups, powders or base product(s) used to make soft drinks. **This is a tax imposed at the distributor level, not at the retail level.** A tax of \$4.00 per gallon is imposed on the sale of syrup or simple syrup. The tax on bottled soft drinks is 42¢ per gallon. The tax on powder or base product is 42¢ per gallon of soft drink produced from each package or container by following the manufacturer's instructions. The distributor, manufacturer or wholesale dealer is required to license, report, and remit the tax. Retailers selling soft drinks should verify that they are purchasing from licensed distributors. Retailers purchasing from unlicensed distributors will be responsible for this tax. All tax must be paid monthly to the State Tax Assessor and is dedicated to the Dirigo Health Enterprise Fund.

A "soft drink" is defined as any nonalcoholic beverage, naturally or artificially flavored, carbonated or noncarbonated, sold for human consumption, including, but not limited to, soda, water, cola, other flavored drinks, any fruit or vegetable drink containing 10% or less of natural fruit juice or natural vegetable juice, and all other drinks and beverages commonly referred to as soft drinks, but not including coffee or tea unless the coffee or tea is bottled as a liquid for sale.

"Syrup" is defined as the liquid mixture of basic ingredients used in making, mixing, or compounding soft drinks by mixing the syrup with water, simple syrup, ice, fruits, vegetables, fruit juice, vegetable juice, or any other product suitable to make a soft drink.

A "powder or base product" means a solid mixture of basic ingredients used in making, mixing, or compounding soft drinks by mixing the powder or base with water, ice, syrup, simple syrup, fruits, vegetables, fruit juice, vegetable juice, or any other product suitable to make a soft drink.

At the time of this printing, MRS was still developing more detailed information on this topic. For more complete information, as well as licensing and remitting requirements, please visit our website at <http://www.maine.gov/revenue/> or call (207) 624-9693. (*Chapter 629*)

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## RECENT LEGISLATIVE CHANGES

### *Cigarette and Tobacco Taxes*

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#### HARD SNUFF

Last year it was reported that hard snuff could not be furnished, given away, sold or offered for sale in Maine after September 19, 2007. Recent legislation, however, reversed that law effective March 6, 2008 and now allows snuff to be sold or offered for sale in this State. Hard snuff is defined as a "smokeless, dissolvable tobacco product in lozenge, bit or tablet form that contains as an ingredient compressed, powdered tobacco with nicotine, that is intended for human consumption and that is not regulated as a food or drug or approved as nicotine replacement therapy". (*Chapter 467*)

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**RECENT LEGISLATIVE CHANGES**  
**Motor Fuel Taxes**

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**FUEL EXCISE TAX RATES CHANGE**

**M**otor fuel excise tax rates are indexed annually on July 1. Effective July 1, 2008 the excise tax rate for gasoline increases to 28.4 ¢ per gallon. The excise tax rate on diesel fuel increases to 29.6 ¢ per gallon. This reflects the consumer price index increase of 2.8%.

In addition to these increases, the method of computing the tax rate on several “alternative fuels” has also changed. The following rates apply for sales made on or after July 1, 2008. (*Chapter 650*)

<i>Fuel Type</i>	<i>Tax Rate</i>
Gasoline	28.4
E10	27.4
E85	20.2
100% Ethanol	18.7
Methanol	13.9
Liquid Natural Gas	16.9
Propane	20.6
Diesel	29.6
Biodiesel (B100)	27.2
B20	29.1
*Hydrogen	6.7
*Hydrogen Compressed Natural Gas	19.7
*Compressed Natural Gas	23.0
Jet Fuel (not indexed)	3.4

\*Fuels noted with an asterisk are taxed per 100 cubic feet. All other tax rates are the amount per gallon.

This bulletin is provided as a taxpayer service by Maine Revenue and is only a summary of recent legal developments. Taxpayers are urged to review Maine statutory law to determine the actual effect of the changes described herein, as this bulletin has no legal or precedential effect. Go to <http://janus.state.me.us/legis/ros/lom/lomdirectory.htm> under “Laws of Maine as enacted by the 123<sup>rd</sup> Legislature” to find the chapters referenced in this bulletin. Additional questions 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) 624-9693 TTY: NexTalk 1-888-577-6690.