

**MAINE REVENUE SERVICES
SALES, FUEL, AND SPECIAL TAX DIVISION
RULE NO. 308**

DIRECT PAYMENT PERMITS

SUMMARY: Establishes a system for combined reporting of purchases by manufacturers and utilities under a direct payment permit.

SECTION 1. Introduction

Many manufacturers and utilities routinely acquire large quantities of tangible personal property under circumstances in which it is not known, at the time of purchase, how the property will be used. It is impractical in these instances to determine whether the purchase or use of the property will be taxable or exempt. Holders of direct payment permits are authorized to purchase most items of tangible personal property without payment of the tax to their vendors, and such holders of direct payment permits instead report and pay tax directly to the State.

SECTION 2. General Requirements

The following requirements must be met by a taxpayer in order to be eligible to receive a direct payment permit:

1. A permit application must be submitted to the Bureau of Revenue Services (“the Bureau”) on a special form provided by the Bureau.
2. The applicant must hold a valid Maine Retailer Certificate.
3. The applicant must routinely purchase large quantities of tangible personal property under circumstances that make it impractical to determine, at the time of purchase, whether the purchase or use of the property will be taxable or exempt.
4. The applicant must establish to the satisfaction of the State Tax Assessor that its accounting methods will clearly reflect the proper amount of tax due and that payment of sales or use taxes to the State will not be jeopardized by permitting sales and use taxes to be reported directly.
5. The applicant must make purchases in sufficient volume to justify the expense of regular audits by the Bureau.
6. The applicant must be either a manufacturer or a utility.

SECTION 3. Manner in Which Direct Payment Permit is to be used by Taxpayer

Each holder of a direct payment permit must provide a copy of the permit to each of its vendors and ensure that the permit number is placed on all purchase orders or contracts covering the purchase of tangible personal property, in lieu of payment of tax to the vendor, except in those transactions excluded in Section 4 below. The holder of a direct payment permit shall not authorize a vendor to whom it has provided its direct payment permit to make

use of the direct payment permit or provide the permit number to a third party.

SECTION 4. Exceptions, Restrictions

1. The permit holder shall pay sales tax to the vendor on the following types of purchases:

- A. Purchases of prepared food;
- B. Purchases of taxable services other than the transmission and distribution of electricity; and
- C. Purchases of services taxable under Title 36, Chapter 358 (Service Provider Tax).

2. A permit holder may not authorize a contractor to use its direct payment permit for purchases of tangible personal property to be incorporated into real estate of the permit holder. Any such authorization constitutes grounds for revocation of the permit in accordance with Section 5, Subsection 2 of this Rule.

3. Contracts for the construction of real estate, the provisions of which require the incorporation of tangible personal property into the real estate of a permit holder prior to passage of title, shall not refer to a direct payment permit or permit number in any way that suggests that such tangible personal property purchased by the contractor may be purchased tax free under a direct payment permit. Unless otherwise addressed in a construction contract, the passage of title to the permit holder occurs upon incorporation of tangible personal property into real estate.

SECTION 5. Revocation of Direct Payment Permit

1. The holder of a direct payment permit that wishes to surrender such permit voluntarily must provide the State Tax Assessor with written notice of at least 30 days.

2. The State Tax Assessor may revoke a direct payment permit at any time for failure of the permit holder to comply with the general requirements under which the permit was granted, or for any improper use of the permit.

3. Within 10 days after receipt by a permit holder of notice of revocation by the State Tax Assessor or within 10 days after receipt of the Assessor's permission for discontinuance of the direct payment permit by the permit holder, the permit holder must:

- A. Give notice to each vendor with whom it had transacted business pursuant to the direct payment authority that it will no longer claim exemption from payment of tax by reason of a direct payment permit; and
- B. Return the direct payment permit to the State Tax Assessor.

AUTHORITY: 36 MRSA §112

AMENDED: October 19, 2016

LAST AMENDED: February 15, 2025 – filing 2025-031