

Chapter 318: INSTRUMENTALITIES OF INTERSTATE OR FOREIGN COMMERCE

SUMMARY: Explains the application of the exemption from Maine sales or use tax provided in 36 M.R.S. § 1760(41-A) for a vehicle, railroad rolling stock, aircraft, or watercraft placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after purchase or, in the case of leased property, 30 days after the commencement of that lease, and used by the purchaser or lessee not less than 80% of the days in use for the next two years as an instrumentality of interstate or foreign commerce. Qualifying lessees of such property may claim the exemption on lease and rental payments occurring on and after January 1, 2025.

SECTION 1. Definitions

For purposes of this rule, the terms “bona fide payload” and “dispatch” have the same meanings ascribed to those terms in 36 M.R.S. § 1760(41-A). The terms “aircraft,” “lease or rental,” “lessor,” “vehicle,” and “watercraft” have the same meanings ascribed to those terms in 36 M.R.S. § 1752. Except as otherwise provided, the term “trailer” has the same meaning ascribed to that term in 36 M.R.S. § 1752.

SECTION 2. Qualifying and Non-qualifying Use

A. Generally. Property is placed in use as an instrumentality of interstate or foreign commerce (1) by its carrying of, or providing the motive power for the carrying of, a bona fide payload in interstate or foreign commerce; or (2) by being dispatched to a specific location at which it will be loaded with, or will be used as the motive power for the carrying of, a bona fide payload in interstate or foreign commerce.

B. Leased property. Personal property is not used as an instrumentality of interstate or foreign commerce by a lessor when the lessor leases that property to another person who in turn uses that property as an instrumentality of interstate or foreign commerce. A lessee that uses leased property as an instrumentality of interstate or foreign commerce may claim the exemption from sales tax on lease and rental payments occurring on and after January 1, 2025, in the same manner as a purchaser of property used as an instrumentality of interstate or foreign commerce.

C. Equipment interchange agreements. When a trailer, semitrailer, or tow dolly (as those terms are defined in 29-A M.R.S. § 101) is used by an authorized motor carrier in interstate or foreign commerce pursuant to, and is specifically described in, a written interchange agreement pursuant to 49 Code of Federal Regulations, Section 376.31, or successor regulation, between that carrier and the purchaser or lessee of the property, it is

treated for purposes of 36 M.R.S. § 1760(41-A) as being used by the purchaser in interstate or foreign commerce. Use of property other than a trailer, semitrailer, or tow dolly pursuant to such an agreement does not qualify for such treatment.

D. Cargo originating and terminating in Maine; certain buses. Personal property is not used as an instrumentality of interstate or foreign commerce for the purposes of 36 M.R.S. § 1760(41-A) when it is carrying, providing the motive power for carrying, or being dispatched to carry only cargo that both originates and terminates within the State of Maine.

However, 36 M.R.S. § 1760(41-A) also provides an exemption for the sale of certain buses. Specifically, when the personal property in question is a bus with a seating capacity of at least 47 passengers that is engaged in transporting within the State a bona fide payload of travelers on an interstate or foreign cruise that originates outside the State and terminates outside the State and the transportation is provided pursuant to a contract between the interstate or foreign cruise provider and the person providing the transportation, the bus is considered to be used in interstate or foreign commerce for the purpose of 36 M.R.S. § 1760(41-A).

SECTION 3. Calculation of the 80% Use Test

A. Generally. The time period to which the 80% use test is applied begins on the date the property is placed into service and ends either two years from that date or on the date the property is sold, scrapped, destroyed, or otherwise removed from service, whichever occurs first. Property meets the requirements of 36 M.R.S. § 1760(41-A) when the number of days of qualifying use, divided by the total number of days of use (days of qualifying use plus days of non-qualifying use) is 80% or more. Disregarded days are not counted in the calculation of the 80% use test.

1. Disregarded days. Any full day during which the property in question is not being used in commerce (for example, any full day during which it is being stored, repaired, or maintained).

2. Days of qualifying use. Any full day or portion of a day from the date of dispatch of property for the carrying of, or providing the motive power for the carrying of, a bona fide payload in interstate or foreign commerce through the day the property returns to its principal place of business or the property is dispatched in connection with a new payload.

3. Days of non-qualifying use. Any full day that does not qualify as a disregarded day under Paragraph 1 or a day of qualifying use under Paragraph 2.

B. Examples.

Example 1: A trailer was dispatched by the purchaser to a location in Maine to be loaded with a bona fide payload. The trailer then sat idle at this location, waiting to be loaded, for 30 days, after which the payload was

loaded and promptly delivered to an out of state location. These 30 days are counted as days of qualifying use when calculating the 80% use test.

Example 2: A trailer was dispatched by the purchaser to a location in Maine to be loaded with a bona fide payload. The trailer then sat idle at this location, waiting to be loaded, for 30 days, after which the payload was loaded and delivered to another location within this State. These 30 days are counted as days of non-qualifying use when calculating the 80% use test.

Example 3: On Day 1, a tractor and trailer were dispatched by the purchaser to pick up a bona fide payload in Maine and then carried that payload to Ohio. The tractor and trailer delivered the payload Ohio, then, the next day, began their return trip to Maine. On Day 7, while the tractor and trailer were en route to Maine, they were dispatched to pick up a bona fide payload in New Jersey and then transported it to Maine. On Day 10, the tractor and trailer delivered the payload loaded in New Jersey in Maine. On Day 11, the tractor and trailer returned to their principal place of business. All 11 days are counted as days of qualifying use when calculating the 80% use test.

Example 4: A tractor and trailer that carried a bona fide payload from another state stopped overnight at a rest stop in southern Maine. The next day, the tractor and trailer resumed the trip and delivered the cargo to its destination in Maine. Both days are counted as days of qualifying use when calculating the 80% use test.

Example 5: A trailer that carried a bona fide payload entered Maine from another state and arrived at its destination, where the trailer sat for 20 days waiting to be unloaded. The 20 days are counted as days of qualifying use when calculating the 80% use test.

Example 6: Tractor #1 and a trailer that carried a bona fide payload entered Maine from another state and arrived at a location where they sat for 10 days. On Day 11, the trailer was detached from Tractor #1 and hooked to Tractor #2 for final delivery in Maine, which occurred later that day. Days 1 through 11 are counted as days of qualifying use for the trailer when calculating the 80% use test. Days 1 through 10 are counted as days of qualifying use for Tractor #1. Day 11 is counted as a day of qualifying use for Tractor #2.

Example 7: On Day 1, the purchaser dispatched a tractor and trailer from Maine to New Jersey with a bona fide payload. On Day 3, the trailer was unloaded in New Jersey. On Day 4, the tractor and empty trailer left New Jersey to return to Maine. Upon the tractor and trailer's returning to Maine on Day 5, the trailer returned to its principal place of business in Maine and

immediately went to a maintenance facility for mechanical work that was finished at the end of Day 10. Days 1 through 5 are counted as days of qualifying use for both the tractor and the trailer when calculating the 80% use test. Days 6 through 10 are disregarded days for the trailer for purposes of the 80% use test.

C. Extension of time. Maine Revenue Services may, for good cause, extend by up to 60 days the time for placing a vehicle or other property in use as an instrumentality of interstate or foreign commerce. The purchaser need not apply to Maine Revenue Services for the extension, but any claimed good cause must be documented in the purchaser's records. Good cause will not be found by Maine Revenue Services when the purchaser has been negligent or otherwise failed to make a good faith effort to place the property in use in interstate or foreign commerce within 30 days after the date of purchase or, in the case of leased property, within 30 days after the commencement of the lease.

SECTION 4. Repair Parts, Operating Supplies, and Accessories

The sales and use tax exemption in 36 M.R.S. § 1760(41-A) for instrumentalities of interstate or foreign commerce applies only to the purchase or lease of vehicles, railroad rolling stock, aircraft, and watercraft. The purchase of repair parts, operating supplies, and accessories are not exempt, regardless of whether they are purchased at the same time as the vehicle, railroad rolling stock, aircraft, and watercraft or purchased separately. Accessories purchased as part of a vehicle are exempt from sales or use tax if the vehicle qualifies for exemption under 36 M.R.S. § 1760(41-A). A so-called "glider kit" is considered a repair part, and its purchase is subject to tax whether or not the vehicle on which it will be mounted is used by the purchaser as an instrumentality of interstate or foreign commerce.

SECTION 5. Purchases Subject to Exemption.

A. Generally. The purchaser of a vehicle, railroad rolling stock, aircraft, or watercraft may claim the 36 M.R.S. § 1760(41-A) exemption at the time of purchase, use, or commencement of a lease and not pay the sales and use tax due at that time, or pay the sales or use tax due and later request a refund.

B. Purchases from a dealer registered to collect Maine sales tax. When the sale of a vehicle, railroad rolling stock, aircraft, or watercraft is claimed to be exempt as an instrumentality of interstate or foreign commerce pursuant to 36 M.R.S. § 1760(41-A), the seller or lessor must submit, with the sales tax report on which the sale is claimed to be exempt, an Interstate Commerce Exemption Affidavit (ST-A-111, for retail sales, and ST-A-134 for retail leases) that has been accurately completed and signed by both the seller or lessor and the purchaser or lessee.

C. Purchases at casual sale or outside the State. When a vehicle is purchased or leased at casual sale or from a seller or lessor outside the state that is not registered to collect Maine sales tax, the purchaser or lessee must indicate on the vehicle use tax certificate that

the property qualifies for exemption as an instrumentality of interstate or foreign commerce and is required to complete and submit an Interstate Commerce Exemption Affidavit at the time of registration (ST-A-111, for retail sales; ST-A-134, for retail leases; and ST-A-110 for casual sales). Failure to accurately complete an affidavit of exemption may subject the purchaser to assessment of use tax.

D. Affidavit of Exemption. The affidavit of exemption must either (1) indicate a currently valid Interstate Operating Authority number issued by the Federal Motor Carrier Safety Administration to the person shown on the affidavit as the purchaser or lessee of the vehicle, or (2) be accompanied by a thorough explanation of how the vehicle is used as an instrumentality of interstate or foreign commerce without such authority.

E. Payment of tax. If the purchaser or lessee who has claimed the exemption finds that the vehicle does not qualify for the exemption because it was not placed in use as an instrumentality of interstate or foreign commerce within 30 days after the date of purchase or 30 days after the commencement of the lease (90 days with good cause), or because it was not or will not be used 80% of the days in use as an instrumentality of interstate or foreign commerce during the first two years from the date the property is placed in service, the purchaser or lessee is liable for use tax plus all accrued interest. In the case of a vehicle purchased or leased from a dealer registered to collect Maine sales tax, interest accrues from the 15th day of the month that follows either (1) the month the vehicle was purchased; or (2) the month the lease commenced. In the case of a vehicle purchased or leased outside Maine or at casual sale, interest accrues from the 15th day of the month that follows the month of first use of the vehicle in Maine. The purchaser or lessee must report and pay use tax directly to Maine Revenue Services. Payment of the use tax should be accompanied by a letter of explanation.

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