



# MAINE REVENUE SERVICES

## SALES, FUEL & SPECIAL TAX DIVISION

### GENERAL INFORMATION BULLETIN

July 1, 2004

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NO. 94

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

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### ***CURRENT LEGISLATIVE CHANGES***

#### **RESALE CERTIFICATES**

**I**nappropriate use of resale certificates costs the State of Maine millions of dollars each year in lost tax revenues. This new law is intended to address this problem by ensuring that only bona fide retail businesses can make tax-exempt purchases for resale, and by reducing the likelihood that legitimate retailers can use resale certificates to avoid payment of tax on items that are not intended for resale.

The major change is the fact that a retailer will no longer be able to use standardized resale certificates. Maine Revenue Services (MRS) will begin issuing a sales tax *Annual Resale Certificate* to retailers annually, provided the retailer is active and has reported annual gross sales of \$10,000 or more. The *Annual Resale Certificate* will be mailed to existing retailers each year and will be provided to new businesses with their "Retailer" certificate. Use of the *Annual Resale Certificate* will be limited to types of items ordinarily purchased for resale by that business. Retailers are to make copies of these certificates and provide them to their vendors. Retailers reporting annual gross sales of less than \$10,000 will **not** be issued an *Annual Resale Certificate*, but will pay sales tax when they purchase items for resale and claim a credit on their sales tax return during the period that the items are sold.

All existing resale certificates will expire on August 15, 2004. As a result, all retailers must update their files and obtain new *Annual Resale Certificates* from their customers by August 15, 2004. This updating process will need to be performed annually since each calendar year MRS will reissue new *Annual Resale Certificates*. Realizing the burden this may place on some retailers, the initial certificate issued in July 2004 will be valid through December 31, **2005**. Additionally, MRS plans to develop an electronic verification process for large businesses. Retailers are reminded to retain all relevant books and records, including the "old" resale certificates, for a period of 6 years as required by the statute of limitations.

Detailed information regarding this issue was included with the June sales tax return and can also be found on our website at [www.maine.gov/revenue/salesuse/bulletins.html](http://www.maine.gov/revenue/salesuse/bulletins.html). Retailers should look forward to receiving their new certificates by the end of July 2004.

#### **SERVICE PROVIDER TAX**

**C**ertain services previously subject to sales tax are now subject to a 5% service provider tax. Recent legislation repealed the sales tax on certain kinds of services and replaced it with a Service Provider Tax. The law imposes a 5% service provider tax, effective July 1, 2004, on the value of the following services provided in this State:

- Extended cable television service
- Fabrication services
- Rental of videotapes and video equipment

- Rental of furniture and audio equipment pursuant to a “rent-to-own” contract
- Telecommunications service (except sales of pre-paid phone cards)
- Installation, maintenance and repair of telecommunications equipment
- Private nonmedical institution services

Unlike the sales tax, this tax is imposed on the provider. The provider can pass this cost on to the purchaser, and if this happens, the provider must disclose the tax as a “service provider tax”. Since all of the services taxed under the new law, except private nonmedical institution services, were subject to the 5% Maine sales tax, the change should be transparent to purchasers of these services, who will simply pay a 5% service provider tax **instead** of a 5% sales tax.

Detailed information regarding this issue was included with the June sales tax return and can also be found on our website at [www.maine.gov/revenue/salesuse/bulletins.html](http://www.maine.gov/revenue/salesuse/bulletins.html).

#### **INTEREST RATE CHANGE**

**E**ffective July 1, 2004, the interest rate increases from 6% to 7%.

#### **NEW EXEMPTION FOR CERTAIN NONPROFIT ORGANIZATIONS**

**E**ffective August 1, 2004, sales to incorporated nonprofit assisted housing programs for the elderly licensed by the Department of Human Services are exempt.

#### **PREVIOUS LEGISLATION TAKING EFFECT IN 2005**

**S**ome sales tax related exemptions were enacted in previous legislative sessions but do not take effect until 2005.

- Effective July 1, 2005, the sale of tangible personal property sold to qualifying development zone businesses for use directly and primarily in qualifying business activities and sales to those engaged in construction contracts with qualified development zone businesses for tangible personal property to be incorporated into the realty of these qualified businesses are exempt. More information on these exemptions will be provided prior to the effective date.
- Effective July 1, 2005, the sale of machinery and equipment used in the generation of radio and television signals is exempt.

#### **ADDITIONAL INFORMATION**

##### **Truck Bodies and Trailers Manufactured in Maine no longer exempt**

**I**t has been determined that the exemption for sales or leases to nonresidents of truck bodies and trailers manufactured in the State for immediate removal from the State is facially unconstitutional. As a result, this exemption is no longer valid.

#### **EDUCATIONAL FORUMS**

**P**lans are in process to continue providing taxpayer education through our sales and use tax symposiums. Check our website for upcoming dates and locations. Periodically, registration forms will be mailed with the sales tax returns.

**T**he Maine Tax Forum will be held on October 27 and October 28 at the Augusta Civic Center.

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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) 624-9693 TTY: (207) 287-4477.

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