

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *Tuesday, May 9, 2023, 1:00 PM*

L.D. 1747 – *“An Act to Return the Sales Tax Rate to 5 Percent”*

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Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against L.D. 1747, *“An Act to Return the Sales Tax Rate to 5 Percent.”*

The general sales tax rate on tangible personal property and taxable services was temporarily raised from 5% to 5.5% in 2013 and made permanent in 2015. Maine’s sales tax rate of 5.5% is one of the lowest combined state and local sales tax rates in the country. This bill would decrease the sales tax rate from 5.5% to 5.25% beginning October 1, 2023, and further decrease the rate to 5% beginning July 1, 2024. This bill would not change the rate of the sales tax imposed on prepared food, rentals of lodging, short-term rentals of certain vehicles, liquor, or adult use cannabis. Additionally, this bill would not change the rate of the existing service provider tax.

Maine Revenue Services (MRS) would not be able to implement the first decrease by October 1, 2023; doing so would require developing and testing an updated version of the sales tax return while simultaneously implementing the next phase of the Maine Tax Portal rollout for e-filing, which already requires additional tax types to be programmed into the STARS tax administration system.

The first decrease to 5.25% could be accomplished programmatically for the period beginning January 1, 2024.

If this proposal is adopted, to ease the compliance burden on the nearly 4,000 annual Maine sales tax filers, MRS recommends the effective dates be moved to January 1, 2024 and 2025. Implementing effective dates in the middle of an annual filing period would cause annual filers to temporarily switch to a semiannual filing frequency only to return to their annual filing frequency shortly after.

This proposal would result in an annual revenue loss of approximately \$150 million per year.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.