Maine - Temporary sales tax increase, sales tax on electronically transferred products, and other tax changes

July 18, 2013

In brief

Maine enacted several tax changes with the passage of L.D. 1509. Sales tax changes include increasing the rate temporarily, extending the tax to electronically transferred products, and repealing an exemption for publications. Income tax changes include conforming to IRC provisions, creating a capital investment credit, and modifying bonus depreciation calculations. Maine taxpayers should be aware of these recent changes and ensure that processes and procedures are in place to account for the tax changes.

In detail

Transaction tax rate increases

Part M of the bill provides the following temporary rate increases from October 1, 2013, to June 30, 2015:

- sales tax increases from 5% to 5.5%
- hotel room tax increases from 7% to 8%
- tax on prepared food increases from 7% to 8%
- liquor tax increases from 7% to 8%.

Sales tax on electronically transferred products

Part N of the bill provides that, effective June 26, 2013, the sales and use tax is applicable to 'products transferred electronically,' defined as digital products transferred to the purchaser electronically, the sale of which in non-digital physical form would be subject to sales tax as a sale of tangible personal property.

A product transferred electronically is sold in Maine if:

- the product is delivered electronically to a purchaser located in Maine
- the product is received by the purchaser at the seller's Maine location
- a Maine billing address is provided by the purchaser in connection with the transaction; or
- a Maine billing address is indicated in the seller's business records.

Publications sales tax exemption repealed

Current law provides a sales and use tax exemption for sales of any publication regularly issued at average intervals not exceeding three months.

Part P of the bill repeals this exemption effective October 1, 2013.

Income tax - IRC conformity

Part TT of the bill updates references to the IRC from

December 31, 2011, to January 2, 2013.

Income tax – Bonus depreciation and capital investment credit

Part TT of the bill provides generally that, for the 2013 tax year, a taxpayer that claims bonus depreciation for property placed in service in Maine during the taxable year beginning in 2013 is allowed a capital investment credit equal to 9% of the amount of the net increase in the depreciation deduction that is added back to Maine taxable income.

The bill also provides for new addition and subtraction modifications that decouple Maine bonus depreciation from the federal deductions.

The takeaway

The changes in Maine's tax law are consistent with two trends in this year's state tax landscape. The first trend is the expansion of the sales and use tax base. Maine follows this trend by expanding the sales tax base to digital products and repealing the publications exemption. The second trend is credit expansion. We are observing existing tax credit programs getting boosts as state and federal governments seek to promote business and job growth. Maine follows this trend by providing for a capital investment credit for the taxable year beginning in 2013.

Maine taxpayers should be aware of these recent changes and ensure that processes and procedures are in place to account for the tax changes.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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