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December 2024

NOTICE TO LESSORS OF TANGIBLE PERSONAL PROPERTY: MAINE SHIFTING TO “LEASE STREAM” SALES TAXATION EFFECTIVE JANUARY 1, 2025

You are receiving this notice as the business code associated with your Maine Sales and Use Tax account indicates you are, or may be, engaged in the business of leasing or renting tangible personal property and/or products transferred electronically. **Please read this entire notice**, as it contains valuable information regarding the upcoming law change to leases and rentals of tangible personal property, including products transferred electronically, in Maine.

Shift to “Lease Stream” Sales Taxation

Beginning January 1, 2025, the imposition of Maine sales tax on tangible personal property, including products transferred electronically, leased or rented in Maine will shift to impose the sales tax on each periodic lease or rental payment paid by the lessee. For leases in effect, entered into, or renewed on or after January 1, 2025, lessors are required to charge and collect Maine sales tax from the lessee on each lease or rental payment.

Sale Price of Lease and Rental Payments

Each period of time for which a lease or rental payment is charged is considered a separate sale. The sale price of a lease or rental of tangible personal property, including products transferred electronically, generally includes:

- The total amount of payment or periodic payments received, whether received in money or otherwise, without any deduction on account of the cost of the property sold or leased, the cost of the materials used, labor or service cost, interest paid, losses or any other expenses;
- All charges including, but not limited to, maintenance and service contracts, setup, hook-up, assembly or disassembly, erection and dismantling, cancellation charges and early termination charges, transportation charges for delivery by the lessor to the lessee, pickup and other handling charges, administrative charges, fuel charges, surcharges, and late return charges, whether or not such amounts are separately stated;
- Payments paid by the lessee to a third party for the benefit of the lessor which are required by the terms of the agreement; and
- All itemized charges for costs incurred by the lessor and passed on to the lessee as separate charges in the lease or rental agreement, including, but not limited to, finance or interest charges, property tax, or inspection fees.

The sale price of a lease or rental of tangible personal property, including products transferred electronically, generally does **not** include:

- The price charged for labor or services used in installing, applying, or repairing the tangible personal property leased or rented, if separately charged or stated;
- The price charged for the cost of transportation from the lessor's place of business or some other point from which shipment is made directly to the lessee, provided that those charges are separately stated, and the transportation occurs by means of common carrier, contract carrier, or the U.S. Postal Service;
- Separately stated charges for optional insurance coverage for the protection of the lessee or of the lessee's personal property, such as liability insurance, personal accident insurance or personal effects protection; or
- Charges for goods and services sold after the lease or rental has terminated, including a disposition fee.

Purchases for Resale

A lessor may purchase tangible personal property intended for subsequent lease or rental without remitting tax by presenting a resale certificate to their vendors. Parts and accessories purchased for use in the repair or maintenance of tangible personal property used exclusively for leasing purposes may also be purchased tax-free by presenting a resale certificate.

Tangible personal property purchased in part for lease or rental and in part for any other use by the lessor shall not be purchased from a vendor as a purchase for resale and shall be subject to tax.

Prewritten Computer Software; Products Transferred Electronically

The definition of "tangible personal property" includes any computer software that is not a custom computer software program, i.e., canned computer software. "Tangible personal property" also includes any "product transferred electronically," which means "a digital product transferred to the purchaser electronically, the sale of which in nondigital physical form would be subject to tax" as a sale of tangible personal property; for example, a digital audiobook.

Beginning January 1, 2025, the sale, lease or rental, or license of canned computer software or a product transferred electronically is a taxable sale of tangible personal property.

Automobiles, Trucks, and Vans

Prior to January 1, 2025, the rental of a truck or van with a gross vehicle weight rating of less than 26,000 pounds when rented from a person primarily engaged in the business of renting automobiles is subject to the 10% Maine sales tax rate. Beginning January 1, 2025, rentals for a period of less than one year of trucks and vans with a gross vehicle weight rating of more than 10,000 pounds but less than 26,000 pounds will be subject to the general 5.5% Maine sales tax rate, regardless of the person from whom the vehicle was rented.

For rentals of automobiles and certain loaner vehicles the 10% Maine sales tax rate remains unchanged on January 1, 2025, for rental periods of less than one year.

The calculation of the sale price for a lease or rental of an automobile for one year or more remains the same; the value is the total monthly lease payment multiplied by the number of payments in the lease or rental, the amount of equity involved in any trade-in and the value of any cash down payment. The full amount of sales tax is due in the month in which the lease begins.

Exemptions for Leases or Rentals

Maine Sales and Use Tax exemptions provided in 36 M.R.S. § 1760 will also apply to the lease or rental of tangible personal property beginning January 1, 2025. A lessor shall not charge and collect the tax on the payment for a lease or rental if the lessor takes from the lessee a fully completed certificate of exemption or affidavit as evidence that the tangible personal property leased will be used in an exempt manner under the Maine Sales and Use Tax Law.

Lessors currently leasing tangible personal property that is exempt due to its use by an organization that has been issued an Exemption Certificate from Maine Revenue Services (MRS) must obtain a completed copy of the organization's Exemption Certificate to properly document the exempt lease or rental payments due on and after January 1, 2025.

Limited Refund Provision

A "qualified lessor" – defined to mean a person who paid Maine sales or use tax on the purchase of qualifying lease or rental property on or after January 1, 2023, and before January 1, 2025, and who subsequently collected and remitted Maine sales or use tax on the lease or rental of that property on or after January 1, 2025 – may request a refund on or after January 1, 2027, and before March 31, 2027, of the sales or use tax paid by the qualified lessor on the qualifying lease or rental property. The refund is limited to the Maine sales or use tax collected and remitted to Maine by the qualified lessor on the qualifying lease or rental property on or after January 1, 2025, and before January 1, 2027. Qualified lessors will be expected to retain and submit relevant documentation in support of their refund request.

For More Information

MRS Sales, Fuel & Special Tax Division's General Informational Bulletin (GIB) No. 114 was published August 27, 2024, and is available at this link: [GIB 114](#). The GIB provides definitions of "lease and rental," "lessor," and "sale" as well as information on the sourcing provisions for leases or rentals of tangible personal property, motor vehicles, trailers, semitrailers, truck campers, aircraft, and transportation equipment.