



EQUIPMENT LEASING AND FINANCE ASSOCIATION

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May 16, 2017

Senator Dana Dow, Chair

Representative Ryan Tipping, Chair

Members of the Taxation Committee

RE: Testimony in OPPOSITION to LD 1589, An Act To Simplify the Taxation of Leasing Tangible Personal Property and to Clarify the Incidence of Use Tax

Dear Senator Dow, Representative Tipping and members of the Taxation Committee:

The [Equipment Leasing and Finance Association \(ELFA\)](http://www.elfaonline.org) represents financial services companies and manufacturers in the commercial equipment lease finance sector. Among ELFA concerns regarding LD 1589 - An Act To Simplify the Taxation of Leasing Tangible Personal Property and To Clarify the Incidence of Use Tax – is double taxation resulting from failure to include a resale exemption when shifting from upfront sales tax collection on the lessors purchase of equipment that will be leased to businesses in Maine to collection on the rental payments. Such a penalty placed against commercial equipment lease finance will result in twofold payment of tax by Maine businesses and curtailment of lease financings. We ask that this punitive legislation be withdrawn.

Most businesses require equipment in order to operate and make a profit. The commercial equipment lease finance industry is not like traditional main street retailing in the manner ELFA members help all types and sizes of commercial businesses to acquire this equipment as our members finance commercial equipment to businesses nationally from a single location and do not have physical possession of equipment prior to a lease. This is facilitated by a resale exemption offered by states as it covers goods and equipment purchased to be resold or leased.

When the retailer or lessor later sells / leases the goods, they are required to collect sales tax on the full selling price of the product or in the case of equipment leasing to collect sales tax on the rental payments. Denial of the resale certificate would put Maine businesses accessing equipment financing in the unique position of paying sales tax twice for acquisition of the equipment by the lessor and again as it is leased to the business.

Each business has to make the best equipment procurement choice based on numerous factors such as cash flow, balance sheet impact and available credit lines. Equipment finance offers flexible choices that can work with the diverse objectives of most businesses. Lease financing provides them with a substantial portion of capital expenditure through a multitude of financial products and strategies. We ask that potential roadblocks to this essential resource to Maine businesses that would be imposed by LD 1589 be removed by withdrawal of this legislation

Thank you for the opportunity to offer comment.

ELFA Contact Information for Further Inquiries

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