



MAINE REVENUE SERVICES SALES, FUEL & SPECIAL TAX DIVISION INSTRUCTIONAL BULLETIN NO. 42

ORIGINAL REGISTRATION OF VEHICLES – TAXABLE/EXEMPT

This bulletin is intended solely as advice to assist persons in determining and complying with their obligations under Maine tax law. It is written in a relatively informal style and is intended to address issues commonly faced by municipal agents and employees of the Bureau of Motor Vehicles while assisting taxpayers in the registration of vehicles. Taxpayers are responsible for complying with all applicable tax statutes and rules. Although Maine Revenue Services (“MRS”) bulletins do not have the same legal force and effect as rules, justifiable reliance upon this bulletin will be considered in mitigation of any penalties for any underpayment of tax due. This bulletin is current as of the last revision date shown at the end of the document.

The Sales and Use Tax Law is found in Part 3 of MRSA (“Maine Revised Statutes Annotated”), Title 36. Both Title 36 and all MRS rules may be seen by clicking on “laws and rules” at the top of the MRS website.

For the purposes of this Bulletin, **the term “vehicle” primarily means motor vehicle**, but also includes, depending on the context, truck campers, trailers, and special mobile equipment other than farm tractors and lumber harvesting vehicles or loaders. The term “motor vehicle” means a self-propelled vehicle designed for the conveyance of passengers or property on the public highways (see 36 MRSA 36 § 1752(7)). Although “motor vehicle” also includes snowmobiles, all-terrain vehicles and watercraft, these vehicles are addressed in Instructional Bulletin No. 47.

The purchaser or other person seeking to register a vehicle must pay Maine sales and use tax at the time and place of registration unless the dealer has already collected the tax in full. In the case of vehicles, the tax must be collected by the Secretary of State and transmitted to the Treasurer of State as provided by Title 29-A, section 409. (See 36 § 1952-A).

To facilitate this collection, the applicant for the original registration of the above vehicles must present a properly completed bill of sale or Use Tax Certificate (Form S.T.M.V. 6-U) to the appropriate registering agency. Unless the purchase of the vehicle was exempt from taxation, the bill of sale is a receipt of sales tax paid to a dealer; the Use Tax Certificate requires that the use tax be paid to the Secretary of State prior to the issuance of registration.

1. MAINE DEALER SALES

Maine vehicle dealers must provide their customers with a properly completed bill of sale showing either that the sales tax due on the vehicle to be registered has been collected by the

dealer, or that the sale or lease of the vehicle is exempt or otherwise not subject to tax. The person registering the vehicle must present the bill of sale as a prerequisite to any original registration.

It is the responsibility of Maine vehicle dealers to collect and report the sales and use tax on all taxable sales or leases of vehicles made in this state, unless the purchaser qualifies for one of the tax exemptions discussed in Section 5. A Maine vehicle dealer does not have the option of allowing its customers to pay the use tax directly to the Secretary of State at the time of registration. The dealer will be held accountable for the tax on all taxable transactions. Maine dealers should refer to Instructional Bulletin No. 24 (“Vehicle Dealers”) for more complete information on administering sales tax in their businesses.

A. Bill of Sale. The registration agent must review the bill of sale to ascertain that sales tax was charged or that the sale or lease was exempted from sales tax. The agent may proceed with the registration if 1) the sales tax is listed on the bill of sale or 2) the sales tax line on the bill of sale contains the word “EXEMPT.” The bill of sale should be returned to the person registering the vehicle. A copy of the bill of sale does **not** need to be forwarded to MRS.

If the bill of sale does not list the sales tax and does not contain the word “exempt,” the person registering has two options. The person should either return to the dealer to obtain a properly completed bill of sale or complete a Use Tax Certificate (Form S.T.M.V. 6U) and either pay the appropriate tax or claim a valid exemption.

B. Other Documentation. Although no other documentation is needed for a sale by a Maine dealer, it is important that the title application be completed accurately, especially the seller information. If the seller information is not filled in, please make sure at a minimum that the title application contains the plate number of the Maine licensed dealer.

C. Vehicles registered for dealer’s own use. If a dealer registers a vehicle for its own use, the vehicle is generally subject to use tax based on the cost of the vehicle to the dealer. A dealer should complete a Use Tax Certificate and either pay the appropriate use tax or explain on the certificate that use tax is being accrued under its sales tax registration number. In the latter case, the dealer’s sales tax number must be clearly identified on the Use Tax Certificate.

Certain vehicle uses by dealers are exempt from sales tax. In the following situations, dealers should complete a Use Tax Certificate, check the “Other” box under “Exemptions,” and provide an explanation:

- i. A loaner vehicle,** which means an automobile to be provided to the dealer’s service customers for short-term use free of charge pursuant to the dealer’s franchise as defined in 10 MRSA § 1171(6). (See 36 § 1752(11)(B)(8)).

- ii. **Short-term rentals of automobiles.** “Automobile” includes pickup trucks and vans with a gross vehicle weight (“GVW”) of less than 26,000 pounds. (See 36 § 1752(11)(B)(3)).
- iii. **Interim rentals.** A dealer that purchased a vehicle (other than an automobile) for resale, then removed the vehicle from inventory to rent for a short time. (See 36 § 1758).

2. **USE TAX CERTIFICATE (FORM S.T.M.V. 6U)**

If a sale is made by someone other than a Maine registered dealer, the person registering the vehicle must complete a Use Tax Certificate (Form S.T.M.V. 6U). Unless the transaction falls under one of the exemptions listed in Section 5 below, use tax is due as a prerequisite to registration.

A. Sales by Out-of-State Dealers. Vehicles purchased or leased from dealers located outside the State of Maine for use in this State are subject to Maine’s use tax. A person who registers a vehicle in this State must complete a Use Tax Certificate and submit it to the Secretary of State, along with any use tax due, as a prerequisite to any original registration.

B. Casual Sales. A casual sale is a sale between two persons who are not in the business of selling at retail. Section 1764 imposes a use tax on casual sales of the following items:

- (1) Motor Vehicles; (any self-propelled vehicle designed for the conveyance of passengers or property on the public highways.) (See 36 § 1752(7))
- (2) Truck campers; (a slide-in camper designed to be mounted on a truck body to provide temporary living quarters for recreational, camping, travel or other use.) (See 36 § 1752(20-A))
- (3) Trailers; (a vehicle without motive power and mounted on wheels that is designed to carry persons or property and to be drawn by a motor vehicle and not operated on tracks, including a camper trailer.) (See 36 § 1752(19-A)) and
- (4) Special Mobile Equipment (any self-propelled vehicle not designed or used primarily for the transportation of persons or property that may be operated or moved only incidentally over the highways, except farm tractors and lumber harvesting vehicles or loaders) (See 36 § 1752(14-B))

Any purchaser of these items at casual sale is required to file a Use Tax Certificate with the Secretary of State and pay any use tax due as a prerequisite to any original registration of the vehicle.

C. Casual sale exceptions. A transfer to a corporation, partnership, limited liability company or limited liability partnership is not a taxable casual sale when the seller is the owner of a majority of the common stock of the corporation or of the ownership interests in the partnership, limited liability company, or limited liability partnership. In this

situation, the space marked “Other” on the Use Tax Certificate should be checked with an appropriate explanation made on the reverse side.

Note: A transfer **from** a corporation, partnership, limited liability company or limited liability partnership **to** another party, including one of its shareholders or owners, **is** taxable as a casual sale.

D. Subsequent use in Maine of a previously exempted Maine sale.

- i. Sale or lease to nonresident.** Maine sales tax does not apply to motor vehicles, semi-trailers, camper trailers and truck campers purchased in Maine by a person that is not a resident of Maine, if the vehicle is intended to be driven or transported outside the State immediately upon delivery by the seller. If the purchaser returns to Maine within the first 12 months after the purchase date, the person seeking registration is liable for use tax on the basis of the original purchase price. (See 36 § 1760(23-C))
- ii. Sale or lease to qualifying resident businesses.** Maine sales tax does not apply to the sale or lease of a motor vehicle to a qualifying resident business if the vehicle is intended to be driven or transported outside the State of Maine immediately upon delivery and intended to be used exclusively in the qualifying resident business’s out-of-state activities. If the vehicle is not used exclusively in the qualifying resident business's out-of-state business activities or is registered for use in Maine within 12 months of the date of purchase, the person seeking registration is liable for use tax on the basis of the original purchase price. (See 36 § 1760(23-D))

E. Transfers of equity. In transactions involving a transfer of an equity interest in a vehicle, a sale occurs even though cash may not change hands.

- i. Assuming loan balances.** When a person takes possession of a motor vehicle from another person and assumes payment of the balance remaining on the other person’s loan, the transaction is a taxable casual sale. Use tax is owed by the new owner based on the amount being assumed. The new owner’s assumption of the loan pays off the prior owner’s debt and constitutes part of the sale price. If there was additional value paid to the former owner by the new owner, that also must be included as part of the sale price.
- ii. Joint ownership to single ownership.** When a vehicle is jointly owned by two or more persons and one owner’s interest is transferred to one or more of the other owners, the transaction is a taxable casual sale. Use tax is owed by the remaining owner or owners. The sale price will include value transferred by the other owners. The fact that the owners are family members or are husband and wife does not change the fact that a taxable sale has occurred. (See “Special Situations” later in this bulletin for an exception regarding divorce decrees.)

3. SALE PRICE

A. Retail sales. The statutory definition of “sale price” includes “any consideration for services that are part of a retail sale.” (See 36 § 1752(14)(A) and Instructional Bulletin No. 39 “Sale Price Upon Which Tax Is Based”). Based on this provision of the law, all charges imposed by a dealer for services that are part of the sale occurring prior to passage of title of the vehicle are considered part of the sale price of the vehicle and are subject to the sales tax.

i. “Sale price” includes:

- “Processing fees” or “documentation fees”.
- Dealer prep charges.
- Incoming Freight (shipping charges to the location of the dealer).
- Shipping charges to the location of the purchaser (unless the charges are separately stated and shipment was made by a common or contract carrier).
- Manufacturers’ and importers’ excise taxes.
- Rustproofing, protection packages, installation of accessories and other additional work performed on the vehicle prior to the customer taking delivery and prior to passage of title. In contracts for the sale of a vehicle, title is deemed to pass when the customer accepts delivery.
- Manufacturer’s rebates. No deduction is allowed from the sale price for manufacturer’s rebates. The fact that the rebate is assigned by the purchaser to the dealer does not change the tax treatment.

ii. Exclusions from Sale Price. “Sale price” does not include:

- Discounts allowed by the dealer and taken on sales, including dealer rebates.
- Services provided after the customer takes delivery and after passage of title.
- Federal Luxury Tax and other retailers’ excise taxes.
- Title or encumbrance fees.
- State Inspection fees.
- Finance charges.
- Extended warranties (other than on automobiles). Extended warranties on “automobiles” **are a separate taxable service.**
- Credit life insurance and GAP Insurance. (See 36 § 1752(14)(B)).

B. Casual Sales. The items mentioned above are usually associated with “retail sales.” Generally the sale price of a casual sale will be the negotiated amount paid by the purchaser to the seller. However the amount paid, or “consideration,” involves not only cash but also could involve the exchange of property without any further cash payment or the transfer of property in exchange for services rendered. In these situations, the sale price is the value of the exchange as negotiated by the seller and buyer. If that value is not documented, the sale price of the property subject to use tax at casual sale would be its fair market value.

4. TRADE-INS

When one or more of the items listed in Section 1765 of the Sales and Use Tax Law are traded in toward the sale price of another item of the same kind (i.e., motor vehicle traded for a motor vehicle, trailer for a trailer, etc.), the sales or use tax is levied only on the difference between the sale price of the purchased item and the trade-in value allowed for the item or items taken in trade, except for transactions between dealers involving the exchange of property from inventory.

If any item of one kind is traded in toward the sale price of an item of another kind (a motor vehicle is traded in toward the sale price of special mobile equipment, or a camper trailer is traded in toward the sale price of a motor home), no credit for trade-in is allowed and the tax applies to the entire sale price. No credit for trade-ins is allowed on leased vehicles (unless the lease is a lease in lieu of purchase); see Section 6 for more information on leases.

If any other property is traded towards one of the items listed in Section 1765, tax applies to the entire sale price, including any allowance for trade-in. For example, if a refrigerator is traded in towards the purchase of a camper trailer, no trade-in credit is allowed, and the tax is based on the entire sale price of the camper trailer.

A. Motor Vehicles

In transactions involving motor vehicles, the allowance for trade-in applies only when both vehicles involved are self-propelled and are designed for the conveyance of passengers or property on the public highway. (See 36 § 1752(7)). For trade-in purposes, all-terrain vehicles and snowmobiles are included within the definition of “motor vehicles.” Trailers do not qualify as motor vehicles because they are not self-propelled. The term “motor vehicle” includes items of equipment that are permanently attached to, and sold as one unit with, a motor vehicle. Common examples are cranes, shovels, and cement mixers. “Permanently attached” means that the components are physically joined together in a secure fashion and are not meant to be used independently.

Since a slide-in truck camper can be used independently, it is not an accessory (or part) of a truck. If a truck with a slide-in camper is traded in on the purchase of a truck without a slide-in camper, any trade-in allowance given for the slide-in truck camper is not creditable against the sales tax.

B. Special Mobile Equipment

For trade-in purposes, special mobile equipment includes farm tractors and self-propelled vehicles and loaders used to harvest lumber, including skidders, crawler tractors, and log loaders. (See 36 § 1752(14-B)). Other common examples of special mobile equipment are bulldozers, front-end loaders, forklifts, lawn tractors, backhoes, and cranes. An item of special mobile equipment, like a crane, that is permanently attached to a motor vehicle and sold as one unit is considered a part of the motor vehicle.

C. Trailers and Truck Campers

When a trailer of any type or truck camper is traded in toward the sale price of another trailer of any type or truck camper, a trade-in credit is allowed. "Trailer" is defined as "a vehicle without motive power and mounted on wheels that is designed to carry persons or property and to be drawn by a motor vehicle and not operated on tracks." (See 36 § 1752(19-A)). "Truck camper" is defined as "a slide-in camper designed to be mounted on a truck body to provide temporary living quarters for recreational, camping, travel or other use." (See 36 § 1752(20-A)). "Trailer" includes park model homes, camper trailers as defined in Title 36 MRSA § 1481(1-A), utility trailers, recreational vehicle trailers, livestock trailers, horse trailers, and boat trailers.

5. TAX EXEMPTIONS

Listed below are various sales and use tax exemptions that could apply to transactions involving vehicles that are customarily registered for highway use. Included within each category is an explanation of how the exempt sale should be documented on the Use Tax Certificate.

A. Government Agencies and Exempt Organizations. Sales made directly to the Federal government, the State of Maine or any political subdivision of this State, or to any unincorporated agency of the above, are exempt from sales or use tax. In addition to counties, cities, towns or plantations in the State of Maine, this exemption covers sales to:

- School districts in Maine;
- Water, power, parking, sewer and other districts in Maine, established by legislative act as quasi-municipal corporations;
- Village corporations; and
- The Maine Turnpike Authority.

No exemption number is issued to the above agencies of government. The name of the exempt agency and the signature of an authorized individual must be included on the Use Tax Certificate.

The Sales and Use Tax Law also provides exemptions for purchases by various organizations, including hospitals, certain schools, and regularly organized churches or houses of religious worship. To be entitled to purchase and register vehicles free of tax, the organization must have been issued a certificate of exemption by Maine Revenue Services. Sales to organizations that do not hold and provide an exemption certificate are taxable. The organization's 5-digit exemption number should be indicated in the appropriate box on the Use Tax Certificate. The organization should not list its federal identification number or sales tax registration number.

Please note that this exemption does *not* apply to sales to clergy or to staff members or employees of exempt organizations; it is for sales to the organizations.

For more information on sales to governmental agencies and exempt organizations, see Rule 302 and Instructional Bulletin 36 “Exempt Organizations.”

B. Sale of Dual-Controlled Automobiles Used in Driver Training Programs.

This exemption applies to sales by registered automobile dealers of automobiles for the purpose of equipping the same with dual controls and loaning or leasing them to public or private schools without consideration or for the consideration of not more than \$1 a year. (See 36 § 1760(21)). Persons registering qualifying automobiles may do so without payment of use tax. The space marked “Other” on the Use Tax Certificate should be checked, with an appropriate explanation made on the reverse side.

C. Sales to Amputee Veterans. This exemption applies to sales of automobiles to veterans who are granted free registration by the Secretary of State under 29-A MRSA § 523(1). Veterans qualifying for this exemption may register without payment of use tax. The space marked “Amputee Veteran” on the Use Tax Certificate should be checked, and a copy of the letter from the Veterans Administration should be attached to the certificate.

There is no sales tax exemption for veterans generally, or for military personnel. The sale of a vehicle to a person in the military service is handled in exactly the same way as a sale to a civilian. (See 36 § 1760(22)).

D. Sales of loaner vehicles to a new vehicle dealer. For purposes of this exemption, “loaner vehicle” means an automobile to be provided to the dealer’s service customers for short-term use free of charge pursuant to the dealer’s franchise (as defined in Title 10 § 1171(6)). The use of a vehicle provided to a service customer pursuant to a manufacturer’s or dealer’s warranty is also exempt from use tax pursuant to Title 36 § 1760(21-A). A dealer may register a qualifying “loaner vehicle” without payment of use tax. The space marked “Other” on the Use Tax Certificate should be checked, with an appropriate explanation made on the reverse side.

E. Sales of automobiles for short-term rental or lease. This exemption applies to automobiles only rented or leased on a short-term basis. “Short-term” means a period of less than one year. “Automobile” includes pickup trucks and vans with a GVW of less than 26,000 pounds. Renters of automobiles may register qualifying automobiles without payment of use tax. (See 36 § 1752(11)(B)(3)). The space marked “Other” on the Use Tax Certificate should be checked, with an appropriate explanation made on the reverse side.

F. Vehicles Used in Interstate Commerce. A vehicle that is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days (90 days with good cause) after the sale and that is used by the purchaser not less than 80% of the time for the next two years as an instrumentality of interstate or foreign commerce may be registered by the owner without payment of use tax. This exemption is not limited to motor vehicles, but includes trailers and semi-trailers designed for the conveyance of property on public highways. **The exemption does not apply to a leased vehicle or to a vehicle that is operating under an Interstate Operating Authority Number issued by**

the Federal Motor Carrier Safety Administration to a person other than the purchaser. (See 36 § 1760(41)). A person registering a qualifying vehicle may do so without payment of use tax. The space marked “Other” on the Use Tax Certificate should be checked, with an appropriate explanation made on the reverse side.

G. Prior Use Outside the State of Maine. (See 36 § 1760(45))

i. Automobiles. An automobile purchased and actually used by the present owner outside the State of Maine, where the owner was a bona fide resident of the other state at the time of purchase and employed or registered to vote there, is exempt from the Maine use tax. “Automobile” for purposes of this provision includes pick-up trucks and vans with a GVW of 10,000 pounds or less but does not include a motorcycle, moped, motor home, recreational vehicle, bus, truck, stock car, or antique auto registered as such.

ii. Motor Vehicles Other Than Automobiles. Vehicles other than automobiles that were purchased outside of Maine but are now being registered for use in Maine may under certain circumstances qualify for exemption from use tax. If the person registering the vehicle is claiming an exemption based on prior use outside of Maine, the person should indicate in the appropriate box on the Use Tax Certificate the original registration information from the other state and attach a detailed explanation supporting the claimed exemption.

6. LEASES

A. Leases of Automobiles. The Sales and Use Tax Law treats the rental and leasing of automobiles differently from the rental and leasing of other vehicles. The term “automobile” includes a pickup truck or van with a registered gross vehicle weight of 10,000 pounds or less. (See 36 § 1752(1-B)).

i. Short-term rentals. Short-term rentals of automobiles are subject to sales tax. “Short-term” means a period of less than one year. A person that makes short-term rentals of automobiles may purchase the automobile free of tax and must collect tax on each rental payment. A person registering a qualifying vehicle may do so without payment of use tax. The space marked “Other” on the Use Tax Certificate should be checked, with an appropriate explanation made on the reverse side.

ii. Long-term rental or lease. The long-term rental or lease of an automobile is subject to sales and use tax. “Long-term” means a period of 12 months or more. If the lease was arranged by a Maine-licensed dealer or lessor, the person seeking registration should follow the procedure outlined in Section 1 of this bulletin. If a lease has not been arranged by a Maine dealer or lessor, the person seeking registration should complete the “Use Tax Certificate for An Automobile Being Leased for 12 or More Months.” (Form S.T.M.V. 6UL). The use tax is based on the combined value of 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.

B. Leases of other vehicles. Applicants for registration of all other leased vehicles must pay any tax due, or prove that the tax is not owed as a prerequisite to registration. With respect to a true lease and a lease with an option to purchase, the basis of the tax is the purchase price of the vehicle to the lessor. With respect to a lease in lieu of purchase, the basis of the tax is the total of the lease payments.

As with other applicants, if sales tax was paid to a Maine dealer, a bill of sale should be presented to the Secretary of State at the time of registration. If sales tax was not paid to a Maine dealer, a Use Tax Certificate should be filed, and any tax due must be paid by the applicant as a prerequisite to registration.

Lessors are responsible for the payment of use tax on leased equipment. Where the lessee does not provide documentation to show that the lessor has paid the tax, the lessee will be responsible for payment of the use tax at the time of registration. When an option to purchase a leased vehicle is exercised by the lessee, the transaction is a “sale.” Tax is due on the option price paid by the lessee.

7. SPECIAL SITUATIONS

A. Sales by Estates. All sales of motor vehicles by personal representatives of estates are taxable. However, the transfer of a motor vehicle to a beneficiary of a decedent pursuant to a will is not taxable because the transaction is not treated as a sale.

B. Transfer of equity in a divorce. A transfer of equity from a husband or wife to the other spouse pursuant to a court-ordered divorce decree is not taxable because the transaction is not treated as a sale.

C. Credit Allowed for Sales Tax Paid to Other Taxing Jurisdictions. Credit is allowed for any sales or use tax paid to other taxing jurisdictions against any Maine use tax that may be due on a vehicle. The space marked “Sales Tax Paid Elsewhere” on the Use Tax Certificate should be checked. In addition, a copy of the bill of sale, invoice or receipt for payment of tax to the other state must be attached to the certificate. (See 36 § 1862).

D. Sales for Resale. Under the Sales and Use Tax Law, a sale of a vehicle for resale (except for resale as a casual sale) is not a taxable transaction if no use is made of the vehicle other than demonstration or display. However, registration of a vehicle is considered evidence that use other than demonstration or display is being made of the vehicle, and the registrant will be required to pay the use tax as a prerequisite to registration. For this reason, “sale for resale” is not allowable as a valid exemption on a Use Tax Certificate.

E. Gifts. A true gift to a person is not a taxable transaction. A true gift does not require the recipient to pay any consideration, whether in cash, property in trade, or services rendered. For instance if a father gifts his daughter a car, it is a nontaxable transaction. However, if the daughter assumes the loan balance, the daughter has paid consideration for the car and the transaction is taxable. A corporation does not ordinarily gift a vehicle to one of its current or former shareholders or owners. A corporation

typically transfers a vehicle to a current or former shareholder or employee in return for services rendered, and thus such a transfer is typically treated as a taxable sale.

8. REVIEW OF PURCHASE PRICES AND EXEMPTIONS

Purchase prices and exemptions claimed are subject to audit or investigation by Maine Revenue Services. If it is determined that the purchase price was understated or that an exemption was claimed improperly, an assessment of the appropriate use tax along with applicable interest and penalty charges will be made against the purchaser.

9. ADDITIONAL INFORMATION

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law as it applies to the original registration of vehicles. It is not intended to be all inclusive. Guidance for specific situations can be obtained by calling the sales tax staff at (207) 624-9693.

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