

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION-2003

Legislative Document

No. 1313

H.P. 967

House of Representatives, March 11, 2003

An Act To Permit a Limited Local Option Sales Tax

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative MILLS of Cornville.
Cosponsored by Senator DAMON of Hancock and
Representatives: BLANCHETTE of Bangor, CUMMINGS of Portland, DUDLEY of Portland,
KOFFMAN of Bar Harbor, LEMOINE of Old Orchard Beach, SUSLOVIC of Portland,
Senators: BRENNAN of Cumberland, SAWYER of Penobscot.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §1, sub-§37-A, as enacted by PL 1985, c. 650, §1, is amended to read:

37-A. State valuation. "State valuation" means the value certified to the Secretary of State as provided in Title 36, section 305, subsection 1 as adjusted under Title 36, sections 1491-A, 1507 and 1876.

Sec. 2. 30-A MRSA §706, first ¶, as enacted by PL 1987, c. 737, Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6, c. 9, §2 and c. 104, Pt. C, §§8 and 10, is further amended to read:

When a county tax is authorized, the county commissioners, within 30 days of that authorization, shall apportion it upon the municipalities and other places according to the last state valuation as adjusted under Title 36, sections 1491-A, 1507 and 1876 and fix the date for the payment of the tax. This date may not be earlier than the first day of the following September. They may add that sum above the sum so authorized, not exceeding 2% of that sum, as a fractional division necessitates and demonstrate that necessity in the record of that apportionment, and issue their warrant to the assessors requiring them to immediately assess the sum apportioned to their municipality or place, and to commit their assessment to the constable or collector for collection. The county treasurer shall immediately certify the millage rate to the State Tax Assessor. The State Tax Assessor shall separately assess this millage rate upon the real and personal property in the unorganized territory within the appropriate county.

Sec. 3. 30-A MRSA §5681, sub-§2, ¶B, as enacted by PL 1987, c. 737, Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6, c. 9, §2 and c. 104, Pt. C, §§8 and 10, is further amended to read:

B. "Property tax burden" means the total real and personal property taxes assessed in the most recently completed municipal fiscal year, except the taxes assessed on captured value within a tax increment financing district, divided by the latest state valuation certified to the Secretary of State as adjusted under Title 36, sections 1491-A, 1507 and 1876.

Sec. 4. 36 MRSA §1491-A is enacted to read:

§1491-A. Adjustment of state valuation

For each municipality collecting a tax under this chapter,

2 the State Tax Assessor shall compute a property tax base
3 equivalent. The property tax base equivalent is computed by
4 dividing the revenue collected by the municipality under this
5 chapter by the full value mill rate for the municipality. The
6 property tax base equivalent must be added to the state valuation
7 for the municipality when making the distributions required under
8 Title 20-A, Part 7 and Title 30-A, section 5681.

9
10 **Sec. 5. 36 MRSA §1507** is enacted to read:

11 **§1507. Adjustment of state valuation**

12
13 For each municipality collecting a tax under this chapter,
14 the State Tax Assessor shall compute a property tax base
15 equivalent. The property tax base equivalent is computed by
16 dividing the revenue collected by the municipality under this
17 chapter by the full value mill rate for the municipality. The
18 property tax base equivalent must be added to the state valuation
19 for the municipality when making the distributions required under
20 Title 20-A, Part 7 and Title 30-A, section 5681.

21
22 **Sec. 6. 36 MRSA c. 216** is enacted to read:

23
24 **CHAPTER 216**

25
26 **LIMITED LOCAL OPTION SALES TAX**

27
28 **§1871. Local option sales tax authority**

29
30 1. Authority. Beginning January 1, 2004, the legislative
31 body of a municipality, subject to the requirements of this
32 chapter, may elect to adopt within the municipality a limited
33 sales tax of 1% or 2% of the value of prepared food and lodging
34 sold in the municipality.

35
36 2. Definitions. As used in this chapter, unless the
37 context otherwise indicates, the following terms have the
38 following meanings.

39
40 A. "Lodging" means the rental of living quarters in any
41 hotel, rooming house or tourist or trailer camp.

42
43 B. "Prepared food" has the same meaning as in section 1752,
44 subsection 8-A.

45
46 **§1872. Referendum required**

47
48 1. Adoption. The adoption of a limited sales tax in a
49 municipality must be approved by the legal voters of a
50 municipality that seeks to adopt the tax. The petition process

2 and the voting at elections held in towns and plantations must be
3 held and conducted in accordance with Title 30-A, sections 2528,
4 2529 and 2532 even if the town or plantation has not accepted the
5 provisions of Title 30-A, section 2528. The voting at elections
6 held in municipalities must be held and conducted in accordance
7 with Title 21-A, and the referendum must take place at a
8 municipal general election with a turnout equal to or greater
9 than 30% of the votes cast in the municipality in the last
10 gubernatorial election or at the last general election. The
11 municipal clerk shall make a return of the results, certify the
12 results and send them to the Secretary of State. The Secretary
13 of State shall forward the results to the State Tax Assessor.
14 The municipal clerk shall prepare the required ballots, which
15 must contain the following question:

16 "Do you favor a [insert 1% or 2%] sales tax to be imposed
17 on the sale of prepared food and lodging in [insert name of
18 municipality]?"

20 2. Repeal. A limited sales tax adopted under this chapter
21 may be repealed in the same manner as provided for adoption of
22 the tax in subsection 1. The ballot question must read:

24 "Do you favor repealing the [insert 1% or 2%] sales tax on
25 the sale of prepared food and lodging in [insert name of
26 municipality]?"

28 **§1873. Rate; collection**

30 1. Rate. A limited sales tax adopted under this chapter is
31 equal to 1% or 2% of the value of prepared food and lodging sold
32 at retail in the municipality adopting the tax and subject to tax
33 under chapter 213.

34 2. Collection. A limited sales tax adopted under this
35 chapter must be added to the tax imposed under chapter 213 and
36 must be collected and administered in the same manner as taxes
37 imposed under that chapter.

40 **§1874. Implementation of tax**

42 1. Effective date. The imposition or repeal of a limited
43 tax under section 1872 takes effect on the first day of the next
44 succeeding calendar quarter that begins more than 90 days after
45 the date of the election at which the tax was approved or
46 repealed by the voters. The municipality adopting or repealing
47 the tax shall notify the State Tax Assessor at least 90 days
48 before the tax or repeal is effective and shall state the
49 effective date of the tax.

2 2. Distribution of the tax. The proceeds of a limited
3 sales tax imposed under this chapter must, on or about the 20th
4 day of each month, be remitted to the State and distributed as
5 follows:

6 A. Two percent of the amount remitted to the State must be
7 retained by the State to defray its costs of administration;

8
9 B. Five and two-tenths percent of the amount remitted to
10 the State must be paid to the Local Government Fund
11 established in Title 30-A, section 5681; and

12
13 C. Ninety-two and eight-tenths percent of the amount
14 remitted to the State must be paid to the municipality that
15 adopted the tax.

16 **§1875. Multimunicipal limited sales tax district authorized**

17
18 Two or more municipalities may join together for the
19 purpose of creating a multimunicipal limited sales tax
20 district. Before the municipal officers prepare the warrant for
21 any referendum vote authorizing the adoption of a multimunicipal
22 limited sales tax, the participating municipalities must execute
23 an interlocal agreement pursuant to Title 30-A, chapter 115 that
24 details the financial rights and responsibilities of each
25 participating municipality with respect to the limited sales tax
26 and the procedures for the referendum. The interlocal agreement
27 must detail the respective municipal financial obligations in the
28 circumstance of any participating municipality voting at
29 referendum to adopt or repeal the tax and in the circumstance of
30 any participating municipality voting at referendum not to adopt
31 or repeal the tax. For the purposes of complying with Title
32 30-A, section 2205, an interlocal agreement executed for the
33 purpose of this chapter must be submitted to the Director of the
34 State Planning Office within the Executive Department for
35 approval.

36
37 **§1876. Adjustment of state valuation**

38
39 For each municipality imposing a tax under this chapter, the
40 State Tax Assessor shall compute a property tax base equivalent.
41 The property tax base equivalent is computed by dividing the
42 revenue distributed to the municipality under this chapter by the
43 full value mill rate for the municipality. The property tax base
44 equivalent must be added to the state valuation for the
45 municipality when making the distributions required under Title
46 20-A, Part 7 and Title 30-A, section 5681 and the apportionments
47 of county taxes under Title 30-A, section 706.
48

2

SUMMARY

4 This bill permits municipalities to adopt by referendum a 1%
6 or 2% local sales tax on prepared food and lodging. The property
8 tax base of a municipality collecting the local option sales tax
10 would be adjusted for purposes of state distributions for
12 education and revenue sharing and apportionment of county taxes
 to reflect a property tax equivalent for the additional
 revenues. The bill requires a similar adjustment for motor
 vehicle and watercraft excise taxes. These adjustments provide a
 fair recognition of a municipality's additional tax wealth for
 purposes of these distributions.