

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 1333

S.P. 435

In Senate, March 12, 2003

### **An Act To Allow Municipalities To Provide Property Tax Relief through a Local Option Sales Tax**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator STRIMLING of Cumberland.  
Cosponsored by Representative LEMOINE of Old Orchard Beach and  
Representatives: NORBERT of Portland, PERRY of Bangor.

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

4 **Sec. 1. 36 MRSA §1817** is enacted to read:

6 **§1817. Municipal local option sales and use tax**

8 **1. Definitions.** As used in this section, unless the  
context otherwise indicates, the following terms have the  
following meanings.

10 A. "Adjusted property tax rate" means a municipality's  
property tax rate per \$1,000 of assessed valuation, adjusted  
for inflation using the Consumer Price Index and any  
neighborhood or municipality revaluations.

12 B. "Eligible municipality" means a municipality or  
organized municipal township. "Eligible municipality" does  
not include a county or a subsidiary unit of government such  
as an unorganized township, village, special district or  
school district.

14 C. "Local option sales and use tax" means the sales and use  
tax imposed by an eligible municipality pursuant to  
subsection 2.

16 D. "Participating county" means a county in which there are  
one or more participating municipalities.

18 E. "Participating municipality" means an eligible  
municipality that has imposed a local option sales and use  
tax pursuant to this section.

20 F. "Sales tax base" means those items subject to sales  
taxation under this Part.

22 G. "Single transaction limitation" means a dollar limit  
that a municipality that imposes a local option sales and  
use tax pursuant to this section may place on the amount of  
tax the municipality collects from a single transaction  
subject to the local option tax.

24 **2. Authorization to impose local option sales and use tax.**  
An eligible municipality may impose a local option sales and use  
tax of 1% on those items that are part of the sales tax base. An  
eligible municipality that adopts a local option sales tax  
pursuant to this section may not alter the range of items subject  
to sales taxation. A municipality that adopts a local option  
sales and use tax also may adopt a single transaction  
limitation. The single transaction limitation may not exceed  
\$100.

2  
3. Administration. Retailers in a municipality that has  
4 imposed a local option sales and use tax under this section shall  
5 transfer the revenue from that tax at the time of and in the  
6 manner provided in section 1951-A for the transfer of state sales  
7 and use tax revenue. The tax is subject to the same interest,  
8 penalties and administrative actions as other taxes assessed  
9 under this Part.

10  
4. Transfer of revenue. Each month, the assessor shall  
12 identify the amount of revenue attributable to each municipality  
13 under this section, subtract the costs of administering this  
14 section and certify the net amount due each municipality to the  
15 Treasurer of State. Of the net amount certified under this  
16 subsection, the Treasurer of State shall make monthly payments to:

18 A. The treasurer of a participating municipality in the  
19 amount of 75% of the net amount collected from that  
20 participating municipality; and

22 B. The treasurer of a participating county in the amount of  
23 25% of the net amount collected from participating  
24 municipalities within that county.

26 For purposes of this subsection, "costs of administering this  
27 section" means the lesser of the actual cost to the assessor and  
28 2% of the total revenue generated by local option sales and use  
29 taxes.

30  
5. Disposition of participating county share. Each  
32 participating county shall deposit the revenue received pursuant  
33 to subsection 4, paragraph B in a segregated account. A county  
34 shall determine its annual budget and assessment without  
35 consideration of the amount received pursuant to subsection 4,  
36 paragraph B. Funds within the segregated account may only be  
37 used by the county to reduce on a pro rata basis the property tax  
38 assessment required from each participating municipality within  
39 the participating county.

40  
6. Disposition of participating municipality share. Each  
42 participating municipality shall deposit the revenue received  
43 pursuant to subsection 4, paragraph A in a segregated account. A  
44 municipality shall determine its annual budget and assessment  
45 without consideration of the amount received pursuant to  
46 subsection 4, paragraph A. Funds within the segregated account  
47 may be used only as provided in this subsection.

48  
A. As the first priority, the participating municipality  
50 shall use at least 50% of the funds annually deposited in

2           the segregated account to stabilize or lower that  
3           municipality's projected property tax rate. If, despite the  
4           application of at least 50% of the funds, the combined  
5           effect of changes in the municipality's appropriations and  
6           revenue streams results in a projected adjusted property tax  
7           rate that exceeds the previous tax year's actual tax rate by  
8           more than 1%, then whatever portion of the remaining amount  
9           of segregated funds must be applied to maintain the adjusted  
10           property tax rate at or below 101% of the previous year's  
11           property tax rate. Notwithstanding any provision to the  
12           contrary, if a municipality uses all of the funds in the  
13           segregated account and the adjusted property tax rate is  
14           more than 1% above the previous year's property tax rate,  
15           the final municipal budget containing the higher adjusted  
16           property tax may be adopted only by a 2/3 vote of the  
17           governing body of that municipality.

18           B. As the 2nd priority, after compliance with paragraph A,  
19           the municipality may use any funds remaining in the  
20           segregated account for economic development purposes; to  
21           augment school budgets; to improve local roads, sewers and  
22           other infrastructure of the municipality; or for any other  
23           permissible spending or budgetary needs of the  
24           municipality. Remaining funds may be committed to meet  
25           annual budgetary or long-term capital investment needs of  
26           the municipality.

28           7. Effect on revenue sharing and other state-aid programs.  
29           Revenue received pursuant to subsection 4 may not be considered  
30           to be receipts from the taxes imposed under this Part for the  
31           purpose of transfers to the Local Government Fund under Title  
32           30-A, section 5681. Revenue received pursuant to subsection 4  
33           may not be used to reduce or eliminate any funding otherwise due  
34           the county or municipality under any provision of law providing  
35           aid to the participating county or participating municipality,  
36           including, but not limited to, aid to schools, roads, public  
37           assistance or jails.

38           8. Referendum. The question of whether to impose a local  
39           option sales and use tax must be submitted to the legal voters of  
40           a municipality that seeks to impose the local option sales and  
41           use tax.

42           The petition process and the voting at elections held in cities,  
43           towns and plantations must be held and conducted in accordance  
44           with Title 30-A, sections 2528, 2529 and 2532 even if the  
45           municipality has not accepted the provisions of section 2528.  
46           The voting at elections held in municipalities must be held and  
47           conducted in accordance with Title 21-A.

50

2 The municipal clerk shall make a return of the results, certify  
3 the results and send them to the Secretary of State. The  
4 Secretary of State shall forward the results to the assessor.

5 The local option sales and use tax may be discontinued by  
6 referendum conducted in the same manner as the referendum  
7 adopting the tax under this section.

8  
9 9. Effective date of tax. The tax authorized by this  
10 section takes effect 120 days after the municipal referendum vote  
11 under subsection 8 if it is accepted by a majority of the local  
12 voters voting at the election and the total number of votes cast  
13 equals or exceeds 20% of the total number of votes cast in that  
14 municipality in the most recent gubernatorial election.

## 16 18 SUMMARY

20 This bill allows municipalities to impose a 1% local option  
21 sales and use tax. Revenue from the tax, after the deduction of  
22 administrative costs, is divided between the municipality and the  
23 county in which the municipality is located on a 75/25 basis,  
24 respectively.

26 A municipality must use the revenue generated by the local  
27 option sales and use tax to reduce the property tax rate. If,  
28 despite the use of all the revenue generated by the local option  
29 sales and use tax, the property tax rate, after adjustment for  
30 inflation, can not be decreased below a level that is 1% higher  
31 than the previous year's property tax rate, then this bill  
32 requires a 2/3 vote of the governing body of the municipality to  
pass the budget containing the higher tax rate.