

# MAINE STATE LEGISLATURE

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Date: 3/28/24 Majority

L.D. 1298

(Filing No. H-883)

**TAXATION**

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**STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
131ST LEGISLATURE  
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 823, L.D. 1298, "An Act to Allow a Local Option Sales Tax on Short-term Lodging to Fund Affordable Housing"

Amend the bill in section 1 in the first line (page 1, line 2 in L.D.) by striking out the following: "**§1821**" and inserting the following: '**§1822**'

Amend the bill in section 1 in §1821 in the first line (page 1, line 3 in L.D.) by striking out the following: "§1821" and inserting the following: '§1822'

Amend the bill in section 1 in §1821 by striking out all of subsection 2 (page 1, lines 20 to 24 in L.D.) and inserting the following:

**2. Authorization to impose local option sales tax.** A municipality by referendum conducted pursuant to subsection 9 may impose a local option sales tax of 1% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp. A local option sales tax may not be imposed in the unorganized territory.'

Amend the bill in section 1 in §1821 in subsection 5 in the 2nd line (page 1, line 31 in L.D.) by inserting after the following: "1951-A" the following: ', subsection 1'

Amend the bill in section 1 in §1821 by striking out all of subsection 6 and replacing it with the following:

**6. Distribution of revenue.** By the 20th day of each month, the assessor shall certify to the State Controller and the Treasurer of State the amount of revenue attributable to the local option sales tax collected in the previous month in each participating municipality, after deducting from that revenue the costs of administering this section. For the purposes of this subsection, "costs of administering this section" means the lesser of the actual cost to the assessor of administering this section and 2% of the total revenue generated by a local option sales tax.

By the end of each month, the Treasurer of State shall make payments to the participating municipalities of the amounts certified by the assessor pursuant to this subsection.'

Amend the bill in section 1 in §1821 by striking out all of subsection 10 and replacing it with the following:

**COMMITTEE AMENDMENT**

**10. Effective date of tax; acceptance by voters.** A local option sales tax authorized by this section takes effect on the first day of the first month that begins after 120 days have passed from the municipal referendum vote under subsection 9 if the referendum is approved by a majority of the legal voters voting at the election and the total number of votes cast equals or exceeds 20% of the total number of votes cast in the municipality in the most recent gubernatorial election. A local option sales tax may not take effect before January 1, 2025.

Amend the bill by inserting after section 1 the following:

**Sec. 2. 36 MRSA §1951-A, sub-§3,** as amended by PL 2011, c. 285, §7, is repealed.

**Sec. 3. Appropriations and allocations.** The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF  
Revenue Services, Bureau of 0002**

Initiative: Provides one-time funding for computer programming, testing and outreach costs related to the municipal local option sales tax on short-term lodging.

<b>GENERAL FUND</b>	<b>2023-24</b>	<b>2024-25</b>
All Other	\$0	\$271,481
<b>GENERAL FUND TOTAL</b>	<hr/>	<hr/>
	\$0	\$271,481

**Revenue Services, Bureau of 0002**

Initiative: Provides funding for one Tax Examiner III position and related All Other costs to administer the local option sales tax on short-term lodging.

<b>GENERAL FUND</b>	<b>2023-24</b>	<b>2024-25</b>
Personal Services	\$0	\$94,114
All Other	\$0	\$4,614
<b>GENERAL FUND TOTAL</b>	<hr/>	<hr/>
	\$0	\$98,728

**ADMINISTRATIVE AND FINANCIAL  
SERVICES, DEPARTMENT OF  
DEPARTMENT TOTALS**

	<b>2023-24</b>	<b>2024-25</b>
<b>GENERAL FUND</b>	\$0	\$370,209
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<hr/>	<hr/>
	\$0	\$370,209

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

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**SUMMARY**

This amendment aligns the rented living quarters subject to the local option sales tax with the rented living quarters subject to the sales tax under current law and includes a provision excluding the unorganized territory from participation in a local option sales tax. The amendment also clarifies that the retailer collecting sales tax pursuant to the local option sales tax authorized by the bill must file monthly and make payments on forms prescribed by the State Tax Assessor and also repeals a provision of law that allows individuals collecting sales tax on casual rentals of living quarters to file and pay sales tax on their individual income tax returns. The amendment adds a process and timeline for the distribution of revenues by the Treasurer of State to participating municipalities. The amendment also clarifies that a local option sales tax does not take effect until the first day of the first month that begins after 120 days after the municipal referendum adopting the tax and specifies that a local option sales tax may not take effect before January 1, 2025.

**FISCAL NOTE REQUIRED**

(See attached)



# 131st MAINE LEGISLATURE

LD 1298

LR 2113(02)

## An Act to Allow a Local Option Sales Tax on Short-term Lodging to Fund Affordable Housing

Fiscal Note for Bill as Amended by Committee Amendment *A* (11-883)

Committee: Taxation

Fiscal Note Required: Yes

### Fiscal Note

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$370,209	\$135,172	\$139,871
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$370,209	\$135,172	\$139,871

#### Fiscal Detail and Notes

This bill allows municipalities by referendum to impose a local option sales tax of 1% on short-term lodging that is subject to the sales and use tax. It is not known how many and which municipalities will conduct a successful referendum to impose such a tax, but those that do will see revenue increases. Maine Revenue Services has indicated that there may be some reduction in the demand for short-term lodging because of the new tax. If that occurs there would be some reduction in revenue to the General Fund, the Local Government Fund and the Tourism Marketing Fund. This fiscal note does not reflect a reduction in revenue in these categories.

The bill includes ongoing General Fund appropriations to the Department of Administrative and Financial Services, Bureau of Revenue Services of \$98,927 in fiscal year 2024-25 for one Tax Examiner III position beginning October 1, 2024 to administer a local option sales tax on short-term lodging. It also includes a one-time General Fund appropriation to the Bureau of Revenue Services of \$271,481 in fiscal year 2024-25 for computer programming, implementation and testing and outreach costs associated with a local option sales tax.

Additional costs to the Office of Treasurer of State associated with distributing local option sales tax revenue to participating municipalities are considered to be minor and can be absorbed within existing budgeted resources.