

MAINE STATE LEGISLATURE

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131st MAINE LEGISLATURE

FIRST REGULAR SESSION-2023

Legislative Document

No. 1298

H.P. 823

House of Representatives, March 23, 2023

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

Reference to the Committee on Taxation suggested and ordered printed.


ROBERT B. HUNT
Clerk

Presented by Representative SKOLD of Portland.
Cosponsored by Senator CHIPMAN of Cumberland and
Representatives: CROCKETT of Portland, DODGE of Belfast, MATLACK of St. George,
RANA of Bangor, TERRY of Gorham, WARREN of Scarborough, WILLIAMS of Bar
Harbor, Senator: BAILEY of York.

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

2 **Sec. 1. 36 MRSA §1821** is enacted to read:

3 **§1821. Municipal local option sales tax on short-term lodging**

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

6 A. "Affordable housing" has the same meaning as in Title 30-A, section 5002,
7 subsection 2.

8 B. "Local option sales tax" means a sales tax imposed pursuant to subsection 2.

9 C. "Lower income households" has the same meaning as in Title 30-A, section 5002,
10 subsection 11.

11 D. "Moderate income households" has the same meaning as in Title 30-A, section
12 5002, subsection 12.

13 E. "Participating municipality" means a municipality that has imposed a local option
14 sales tax pursuant to this section.

15 F. "Program for affordable housing" includes a housing development involving
16 construction or renovation that is wholly or partly subsidized by municipal funds for
17 which at least 50% of units are affordable housing units, rental assistance for lower
18 income households and moderate income households and other programs that provide
19 assistance for or support affordable housing.

20 **2. Authorization to impose local option sales tax.** A municipality by referendum
21 conducted pursuant to subsection 9 may impose a local option sales tax of 1% on the value
22 of rental of living quarters in any hotel, rooming house, tourist or trailer camp,
23 accommodations rented via a transient rental platform or any other accommodation for
24 which the rental duration is any single nonrenewable period of less than 30 days.

25 **3. Local option sales tax limited to lodging.** A municipality may not impose a local
26 option sales tax on the value of rental of living quarters of any hotel, rooming house or
27 tourist or trailer camp not subject to tax under section 1811.

28 **4. Notify State Tax Assessor.** A participating municipality shall notify the assessor
29 at least 90 days before the local option sales tax is effective.

30 **5. Administration.** A retailer in a participating municipality shall transfer the revenue
31 from a local option sales tax at the time and in the manner provided in section 1951-A for
32 the transfer of state sales tax revenue. The tax is subject to the same enforcement
33 provisions, interest, penalties and administrative actions as other taxes assessed under this
34 Part.

35 **6. Distribution of revenue.** On a quarterly basis, the assessor shall identify the
36 amount of revenue attributable to each participating municipality under this section,
37 subtract the costs of administering this section and certify the net amount for that
38 municipality to the Treasurer of State for distribution pursuant to this subsection. From the
39 net amount certified for a municipality under this subsection, the Treasurer of State shall
40 make monthly payments to the participating municipality. For the purposes of this
41 subsection, the unorganized territory must receive reimbursement as if it is one
42 municipality and "costs of administering this section" means the lesser of the actual cost to

1 the assessor of administering this section and 2% of the total revenue generated by a local
2 option sales tax.

3 **7. Revenue restricted to affordable housing programs.** Revenue received pursuant
4 to subsection 6 may not be used for any purpose other than programs for affordable housing
5 within the participating municipality.

6 **8. Effect on revenue sharing and other state aid programs.** Revenue distributed
7 pursuant to subsection 6 may not be considered to be receipts from the taxes imposed under
8 this Part for the purpose of transfers to the Local Government Fund under Title 30-A,
9 section 5681. Revenue received pursuant to subsection 6 may not be used to reduce or
10 eliminate any funding otherwise due a municipality under any provision of law providing
11 aid to the municipality, including, but not limited to, aid for schools, roads, public
12 assistance or jails.

13 **9. Referendum.** The question of whether to impose a local option sales tax must be
14 submitted in accordance with this subsection to the legal voters of a municipality that seeks
15 to impose the local option sales tax.

16 A. The referendum question must indicate the rate of the local option sales tax.

17 B. The petition process and voting must be held and conducted in accordance with Title
18 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the
19 provisions of Title 30-A, section 2528.

20 C. The voting at elections must be held and conducted in accordance with Title 21-A.

21 D. The municipal clerk shall make a return of the results, certify the results and send
22 them to the Secretary of State. The Secretary of State shall forward the results to the
23 assessor.

24 E. The local option sales tax may be discontinued by referendum conducted in the same
25 manner as the referendum adopting the tax under this subsection.

26 **10. Effective date of tax; acceptance by voters.** A local option sales tax authorized
27 by this section takes effect 120 days after the municipal referendum vote under subsection
28 9 if it is accepted by a majority of the legal voters voting at the election and the total number
29 of votes cast equals or exceeds 20% of the total number of votes cast in the municipality in
30 the most recent gubernatorial election. A local option sales tax may not take effect before
31 July 1, 2024.

32 SUMMARY

33 This bill allows a municipality to impose a local option sales tax of 1% on short-term
34 lodging that is subject to the state sales and use tax if approved by referendum of the voters
35 in that municipality. The revenue from the local option sales tax must be distributed to the
36 municipality imposing the local option sales tax. The distributed revenue must be used in
37 municipal programs that support affordable housing development in that municipality,
38 including rental assistance for lower income households or moderate income households.
39 Revenue received by a municipality may not be used to reduce or eliminate funding
40 otherwise due the municipality under other provisions of law. The local option sales tax
41 may not take effect before July 1, 2024.