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An Act To Authorize a Local Option Sales Tax To Reduce Property Taxes

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

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

§ 1817. Municipal local option sales tax

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

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

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

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

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

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

4. Transfer of revenue. Each month, the assessor shall identify the amount of revenue attributable to each participating municipality under this section, subtract the costs of administering this section and certify the net amount due each participating municipality to the Treasurer of State. Of the net amount certified under this subsection, the Treasurer of State shall make monthly payments to a participating municipality.

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

5. Suspension. If a participating municipality's budget for a municipal fiscal year exceeds the municipal budget for the previous fiscal year by more than 10% of the amount estimated to be collected during the fiscal year under this section as determined by the assessor, the tax authorized by this section

is terminated on the first of the month following notification to retailers in the participating municipality by the assessor. The assessor shall provide notice to retailers in the participating municipality in the most expeditious manner possible of the first month of the termination.

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

7. Referendum. The question of whether to impose a local option sales tax must be submitted to the legal voters of a municipality that seeks to impose the local option sales tax.

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

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

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

8. Effective date of tax; acceptance by voters. The local option sales tax authorized by this section takes effect 120 days after the municipal referendum vote under subsection 7 if it is accepted by a majority of the local voters voting at the election and the total number of votes cast equals or exceeds 20% of the total number of votes cast in that municipality in the most recent gubernatorial election.

SUMMARY

This bill allows municipalities to impose a 1% local option sales tax by local referendum as long as at least 90% of the revenue collected is used to reduce the property tax.