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An Act To Permit a Local Option Sales Tax in Towns Adjacent to a National Park

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

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

§ 1817. Bar Harbor local option sales and use tax

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

A. “Adjusted property tax rate” means the town’s property tax rate per \$1,000 of assessed valuation, adjusted for inflation using the Consumer Price Index and any neighborhood or municipality revaluations.

B. “Local option sales and use tax” means the sales and use tax imposed by the town pursuant to subsection 2.

C. “Sales tax base” means those items subject to sales taxation under this Part.

D. “Single transaction limitation” means a dollar limit that the town may place on the amount of tax the town collects from a single transaction subject to the local option sales and use tax.

E. “Town” means a municipality with a population of at least 4,500, but no more than 6,000, located within 10 miles of a national park.

2. Authorization to impose local option sales and use tax. The town may impose a local option sales and use tax of 2% on those items that are part of the sales tax base. If the town adopts a local option sales and use tax pursuant to this section, it may not alter the sales tax base. The town also may adopt a single transaction limitation not to exceed \$100.

3. Administration. Retailers in the town shall transfer the revenue from the local option sales and use tax at the time of and in the manner provided in section 1951-A for the transfer of state sales and use tax revenue. The tax is subject to the same 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 the town under this section, subtract the costs of administering this section and certify the net amount due the town to the Treasurer of State. The Treasurer of State shall make monthly payments of the net amount certified under this subsection to the treasurer of the town.

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 and use taxes.

5. Disposition of municipal share. The treasurer of the town shall deposit the revenue received pursuant to subsection 4 in a segregated account. The town shall determine its annual budget and assessment without consideration of the amount received pursuant to subsection 4. Funds within the segregated account may be used only as provided in this subsection.

A. As the first priority, the town shall use at least 50% of the funds annually deposited in the segregated account to stabilize or lower the projected property tax rate of the town. If, despite the application of at least 50% of the funds, the combined effect of changes in the town's appropriations and revenue streams results in a projected adjusted property tax rate that exceeds the previous tax year's actual tax rate by more than 1%, then whatever portion of the remaining amount of segregated funds must be applied to maintain the adjusted property tax rate at or below 101% of the previous year's property tax rate. Notwithstanding any provision to the contrary, if the town uses all of the funds in the segregated account and the adjusted property tax rate is more than 1% above the previous year's property tax rate, the final municipal budget containing the higher adjusted property tax may be adopted only by a 2/3 vote of the governing body of the town.

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

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 town under any provision of law providing aid to the town, including, but not limited to, aid to schools, roads, public assistance or jails.

7. Referendum. The question of whether to impose a local option sales and use tax must be submitted to the legal voters of the town. The petition process and the vote must be held and conducted in accordance with Title 30-A, sections 2528, 2529 and 2532. 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 and use 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. The 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 the town in the most recent gubernatorial election.

SUMMARY

This bill allows a town located close to a national park, such as Bar Harbor, to impose a 2% local option sales and use tax. Revenue from the tax, after the deduction of administrative costs, must be used to reduce the property tax rate. If, despite the use of all the revenue generated by the local option sales and use tax, the property tax rate, after adjustment for inflation, cannot be decreased below a level that is less than 1% higher than the previous year's property tax rate, then this bill requires a 2/3 vote of the governing body of the town to pass the budget containing the higher tax rate.