

Senator Chipman, Representative Tipping and distinguished members of the Taxation Committee, my name is Greg Dugal and I am here on behalf of Hospitality Maine, formerly the Maine Innkeepers Association and Maine Restaurant Association, to speak in opposition to LD's 65, 156, 609, 1110 and 1254, all acts to create a local options tax in some form here in Maine.

Though all these bills are burdensome for our industries, LD 609 is perhaps the worst. The bill skips over the traditional legislative proposal, that is prevalent in this year's bills and in other bills that have been introduced in the past, that would require a referendum to enact it and just begins to charge an additional 1% on lodging sales which is an 11% increase over the current tax. No opportunity to weigh in. In a lodging heavy community like Wells or Ogunquit, the residents may vote it down if they had a chance. It is basically raising the state lodging tax to 10% with the proceeds to enhance revenue sharing. Why not just bring revenue sharing to its prior funding level?

With the specter of a 10% combined tax looming over the heads of the lodging industry, potential additions of other new local options taxes could be more than our industry could bear. Add to that increased labor costs that are guaranteed due to the increasing minimum wage to \$12, paid sick leave, paid family medical leave, changes to the workers compensation system and we could have serious problems to overcome in the hospitality industry.

It is hard for us to understand that people can't believe that taxation like any other expense to the consumer, can actually reduce the level of economic activity, in this case increased or sustained visitation to restaurants and inns in Maine. There is a threshold when crossed, that will diminish returns generated by our industry. We believe double digit taxation on lodging to be just that, crossing the line. A recession will occur in the near future, as historically it is long overdue. The last time this occurred in 2009, the industry suffered a 7-point loss and many operators lost their businesses. We believe singling out an industry in this way is wrong.

Taxing meals and lodging with a local options tax would make Maine a less affordable vacation destination. Our state lodging tax is already at a high level. Only five states have a state lodging tax greater than ours- CT-15%- HI-14.25%- RI- 12% - MI- 12% - NJ-11.6%, all others are equal to or less than us. Unfortunately, we have driven the state rate so high that it makes adding to it with a local options tax problematic. On the meals tax, more populous states in New England have lower state meals taxes and Connecticut and New Hampshire have no local options taxes at all. Also remember that regardless of how the tax is imposed seasonally or year-round it also affects Maine residents considering that 70% of all meals in consumed in Maine's restaurants are by Maine residents.

Three of these bills do not even set a cap on what amount cities or towns could include in their request of the citizenry to institute a local options tax, though we are not in favor of this effort as previously noted, shouldn't a cap of .5% to 1% be included in any proposed bill. Also, multiple attempts to create seasonality in taxation is not very welcoming to visitors to a state that labels itself as Vacationland including a seasonal gas tax. Another thought would be that if we decide that local options taxes to become our fate, they should be year-round and included on all sales not just meals and/or lodging. In that circumstance we are all sharing in the pain, residents, Maine's businesses and visitors alike.

I hear people say all the time that nobody notices the tax when they are going on vacation. At some point they will, are double digit taxes that point? We believe they are. There are limitations of what the market will bear, and we believe we are fast approaching that limit.

The meals tax in Massachusetts is only 6.25% with the ability to add .75% for the local community. The most populous and arguably the wealthiest state in New England has a combined meals tax of 1 point lower than ours already.

Maine would be truly less competitive, and Maine is at the end of the line for tourism activity. People don't pass through Maine generally to get somewhere else. We are a destination, so we shouldn't give anybody any reasons not to make the choice to come here, nor should we get greedy about the amount of tax revenue generated by the State's tourism industry.

Consumption taxes should remain with state government so that all communities share equally in taxes collected. Oceanside communities along Maine's south coast may have increased visitation to their community, but they also have a tremendous property tax base created by the hotels that are located there. By virtue of our business model, hotels have a great deal of square footage and are generally at the top of the list of property tax payers. In many communities in Maine a hotel is the largest property tax payer, so our hope is that they and their commercial counterparts in other retail industries will not have to collect more taxes.

Thank you for your time and consideration and we encourage an ought not to pass on all five LD's related to local options taxes.