



129th MAINE LEGISLATURE

LD 1254

LR 231(03)

An Act To Authorize a Local Option Sales Tax on Meals and Lodging and Provide Funding To Treat Opioid Use Disorder

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

Contingent current biennium cost increase - General Fund
Contingent current biennium revenue decrease - General Fund
Contingent current biennium revenue increase - Municipalities
Contingent current biennium revenue increase - Maine Rural Development Authority

Fiscal Detail and Notes

All of the impacts described below are contingent on at least one municipality voting to impose a local sales tax.

This bill creates a local option sales tax of 1% on prepared food and lodging. Municipalities can opt to create this tax through a municipal referendum. Revenues would be distributed 75% to participating municipalities and 25% to the Maine Rural Development Authority. If all municipalities were to opt for and approve this tax, annual revenues to municipalities and the Maine Rural Development Authority would be approximately \$30 million and \$10 million, respectively. The Department of Administrative and Financial Services (DAFS) has indicated it would require a General Fund appropriation of \$850,000 in each of the first two years for computer programming, data cleansing, forms design, etc. to establish a local option sales tax system. DAFS would also require \$109,000 annually for one Revenue Agent position.

Although it is not possible to predict how many municipalities would implement a local 1% tax, for comparison purposes Maine Revenue Services has estimated that if all municipalities voted to do so, General Fund revenue could be reduced by an estimated \$2 million annually based upon a decrease in consumption because of an increase in the overall sales tax rate. There is no expectation that every municipality would implement a local tax.