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Legislative Document

No. 65

H.P. 62

House of Representatives, January 15, 2019

An Act To Allow Municipalities To Impose a Seasonal or Year-round Local Option Sales Tax

Reference to the Committee on Taxation suggested and ordered printed.

Handwritten signature of Robert B. Hunt in cursive.

ROBERT B. HUNT
Clerk

Presented by Representative BEEBE-CENTER of Rockland.
Cosponsored by Senator CHIPMAN of Cumberland and
Representatives: DUNPHY of Old Town, JORGENSEN of Portland, MATLACK of St.
George, PIERCE of Falmouth, STOVER of Boothbay.

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

2 **Sec. 1. 36 MRSA §1819** is enacted to read:

3 **§1819. Municipal local option sales tax**

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

6 A. "Local option sales tax" means a sales tax imposed under this section.

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

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

10 D. "Single transaction limitation" means a dollar limit that a participating
11 municipality places on the amount of tax the municipality collects from a single
12 transaction subject to the local option sales tax.

13 **2. Authorization to impose local option sales tax; limitations.** A municipality by
14 referendum conducted pursuant to subsection 8 may impose a local option sales tax
15 subject to the following limitations.

16 A. The local option sales tax may be imposed only on those items that are part of the
17 sales tax base.

18 B. A participating municipality may not alter the range of items subject to sales
19 taxation under this Part.

20 C. A participating municipality may adopt a single transaction limitation, but in no
21 case may the single transaction limitation exceed \$100.

22 D. The imposition of the local option sales tax may be limited to specified months of
23 the year.

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

26 **4. Administration.** A retailer in a participating municipality shall transfer the
27 revenue from a local option sales tax at the time and in the manner provided in section
28 1951-A for the transfer of state sales tax revenue. The tax is subject to the same
29 enforcement provisions, interest, penalties and administrative actions as other taxes
30 assessed under this Part.

31 **5. Distribution of revenue.** Each month, the assessor shall identify the amount of
32 revenue attributable to each participating municipality under this section, subtract the
33 costs of administering this section and certify the net amount for that municipality to the
34 Treasurer of State. The Treasurer of State shall make monthly payments to municipal
35 treasurers of the net amounts certified by the assessor under this subsection.

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

4 **6. Use of revenue by participating municipality.** A participating municipality that
5 receives funds pursuant to subsection 5 shall use those funds for the purposes described in
6 the referendum approved under subsection 8.

7 **7. Effect on revenue sharing and other state aid programs.** Revenue received
8 pursuant to subsection 4 may not be considered to be receipts from the taxes imposed
9 under this Part for the purpose of transfers to the Local Government Fund under Title
10 30-A, section 5681. Revenue received pursuant to subsection 4 may not be used to
11 reduce or eliminate any funding otherwise due the participating municipality under any
12 provision of law providing aid to the participating municipality, including, but not limited
13 to, aid for schools, roads, public assistance or jails.

14 **8. Referendum.** The question of whether to impose a local option sales tax must be
15 submitted to the legal voters of a municipality that seeks to impose the local option sales
16 tax. The referendum question must indicate the rate of the local option sales tax, specify
17 the months during which it will be imposed if not year-round and identify the purposes
18 for which the revenue will be used.

19 The petition process and voting must be held and conducted in accordance with Title
20 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the
21 provisions of Title 30-A, section 2528. The voting at elections must be held and
22 conducted in accordance with Title 21-A.

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

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

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

32 SUMMARY

33 This bill allows a municipality to impose a local option sales tax, which may be
34 seasonal, if approved by referendum of the voters in that municipality. The referendum
35 question must identify the rate of the local option sales tax, specify the months during
36 which it will be imposed if not year-round and identify the purposes for which the
37 revenue will be used. The local option sales tax would be collected and administered by
38 the State in the same manner as the sales and use tax. Revenue from the local option
39 sales tax is distributed to the municipality imposing the local option sales tax. Revenue
40 received by a municipality may not be used to reduce or eliminate funding otherwise due
41 the municipality under other provisions of law.