



132nd MAINE LEGISLATURE

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Legislative Document

No. 632

H.P. 400

House of Representatives, February 25, 2025

**An Act to Allow a Local Option Sales Tax on Short-term Lodging to
Fund Affordable Housing**

Received by the Clerk of the House on February 20, 2025. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative SKOLD of Portland.
Cosponsored by Senator DUSON of Cumberland and
Representatives: BRENNAN of Portland, DODGE of Belfast, Speaker FECTEAU of
Biddeford, FRIEDMANN of Bar Harbor, GOLEK of Harpswell, HASENFUS of Readfield,
MATLACK of St. George, RANA of Bangor.

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

2 **Sec. 1. 36 MRSA §1822** is enacted to read:

3 **§1822. Municipal local option sales tax on short-term lodging**

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

6 A. "Affordable housing" has the same meaning as in Title 30-A, section 5002,
7 subsection 2.

8 B. "Local option sales tax" means a sales tax imposed pursuant to subsection 2.

9 C. "Lower income households" has the same meaning as in Title 30-A, section 5002,
10 subsection 11.

11 D. "Moderate income households" has the same meaning as in Title 30-A, section
12 5002, subsection 12.

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

15 F. "Program for affordable housing" includes a housing development involving
16 construction or renovation that is wholly or partly subsidized by municipal funds for
17 which at least 50% of units are affordable housing units, rental assistance for lower
18 income households and moderate income households and other programs that provide
19 assistance for or support affordable housing.

20 **2. Authorization to impose local option sales tax.** A municipality by referendum
21 conducted pursuant to subsection 9 may impose a local option sales tax of 2% on the value
22 of rental of living quarters in any hotel, rooming house or tourist or trailer camp. A local
23 option sales tax may not be imposed in the unorganized territory.

24 **3. Local option sales tax limited to lodging.** A municipality may not impose a local
25 option sales tax on the value of rental of living quarters of any hotel, rooming house or
26 tourist or trailer camp not subject to tax under section 1811.

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

29 **5. Administration.** A retailer in a participating municipality shall transfer the revenue
30 from a local option sales tax at the time and in the manner provided in section 1951-A,
31 subsection 1 for the transfer of state sales tax revenue. The tax is subject to the same
32 enforcement provisions, interest, penalties and administrative actions as other taxes
33 assessed under this Part.

34 **6. Distribution of revenue.** By the 20th day of each month, the assessor shall certify
35 to the State Controller and the Treasurer of State the amount of revenue attributable to the
36 local option sales tax collected in the previous month in each participating municipality,
37 after deducting from that revenue the following:

38 A. Fifteen percent of the total revenue to be transferred to the Maine State Housing
39 Authority to be used to provide subsidies through the rural affordable rental housing
40 program or through another program that supports the development of affordable
41 housing in rural communities for the construction of affordable housing units; and

1 B. The lesser of the actual cost to the assessor of administering this section and 2% of
2 the total revenue generated by a local option sales tax.

3 By the end of each month, the Treasurer of State shall make payments to the participating
4 municipalities of the amounts certified by the assessor pursuant to this subsection.

5 **7. Revenue restricted to programs for affordable housing.** Revenue received
6 pursuant to subsection 6 may not be used for any purpose other than a program for
7 affordable housing within the participating municipality or to support the participating
8 municipality in paying costs incurred in providing general assistance pursuant to Title 22,
9 section 4307.

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

17 **9. Referendum.** The question of whether to impose a local option sales tax must be
18 submitted in accordance with this subsection to the legal voters of a municipality that seeks
19 to impose the local option sales tax.

- 20 A. The referendum question must indicate the rate of the local option sales tax.
- 21 B. The petition process and voting must be held and conducted in accordance with Title
22 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the
23 provisions of Title 30-A, section 2528.
- 24 C. The voting at elections must be held and conducted in accordance with Title 21-A.
- 25 D. The municipal clerk shall make a return of the results, certify the results and send
26 them to the Secretary of State. The Secretary of State shall forward the results to the
27 assessor.
- 28 E. The local option sales tax may be discontinued by referendum conducted in the same
29 manner as the referendum adopting the tax under this subsection.

30 **10. Effective date of tax; acceptance by voters.** A local option sales tax authorized
31 by this section takes effect on the first day of the first month that begins after 120 days have
32 passed from the municipal referendum vote under subsection 9 if the referendum is
33 approved by a majority of the legal voters voting at the election and the total number of
34 votes cast equals or exceeds 20% of the total number of votes cast in the municipality in
35 the most recent gubernatorial election. The local option sales tax may not take effect before
36 January 1, 2026.

37 **SUMMARY**

38 This bill allows a municipality to impose a local option sales tax of 2% on short-term
39 lodging that is subject to the state sales and use tax if approved by referendum of the voters
40 in that municipality. The revenue from the local option sales tax must be distributed to the
41 municipality imposing the local option sales tax. The distributed revenue must be used in
42 municipal programs for affordable housing in that municipality, including rental assistance

1 for lower income households or moderate income households or to support the costs to
2 municipalities for providing general assistance. Revenue received by a municipality may
3 not be used to reduce or eliminate funding otherwise due the municipality under other
4 provisions of law. The local option sales tax may not take effect before January 1, 2026.