

132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document

No. 746

H.P. 488

House of Representatives, February 25, 2025

An Act to Authorize a Local Option Sales Tax on Short-term Lodging to Fund Municipalities and Affordable Housing

Reference to the Committee on Taxation suggested and ordered printed.

R(+ B. Hunt Clerk

Presented by Representative FRIEDMANN of Bar Harbor. Cosponsored by Senator TIPPING of Penobscot and

Representatives: Speaker FECTEAU of Biddeford, RAY of Lincolnville, SAYRE of

Kennebunk.

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 following terms have the following meanings. 5 6 A. "Local option sales tax" means a sales tax imposed pursuant to subsection 2. 7 B. "Participating municipality" means a municipality that has imposed a local option 8 sales tax pursuant to this section. 9 2. Authorization to impose local option sales tax. A municipality by referendum 10 conducted pursuant to subsection 9 may impose a local option sales tax of 2% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp. A local 11 12 option sales tax may not be imposed in the unorganized territory. 3. Local option sales tax limited to lodging. A municipality may not impose a local 13 14 option sales tax on the value of rental of living quarters of any hotel, rooming house or 15 tourist or trailer camp not subject to tax under section 1811. 16 4. Notify State Tax Assessor. A participating municipality shall notify the assessor at least 90 days before the local option sales tax is effective. 17 18 5. Administration. A retailer in a participating municipality shall transfer the revenue 19 from a local option sales tax at the time and in the manner provided in section 1951-A, 20 subsection 1 for the transfer of state sales tax revenue. The tax is subject to the same 21 enforcement provisions, interest, penalties and administrative actions as other taxes 22 assessed under this Part. 23 **6. Distribution of revenue.** By the 20th day of each month, the assessor shall certify 24 to the State Controller and the Treasurer of State the amount of revenue attributable to the 25 local option sales tax collected in the previous month in each participating municipality, 26 after deducting from that revenue the following: 27 A. Ten percent of the total revenue to be transferred to the Maine State Housing 28 Authority to be used to provide subsidies through the rural affordable rental housing 29 program or through another program that supports the development of affordable 30 housing in rural communities for the construction of affordable housing units; and 31 B. The lesser of the actual cost to the assessor of administering this section and 2% of the total revenue generated by the local option sales tax. 32 33 By the end of each month, the Treasurer of State shall make payments to the participating 34

municipalities of the amounts certified by the assessor pursuant to this subsection.

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7. Effect on revenue sharing and other state aid programs. Revenue distributed pursuant to subsection 6 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 6 may not be used to reduce or eliminate any funding otherwise due a municipality under any provision of law providing aid to the municipality, including, but not limited to, aid for schools, roads, public assistance or jails.

- **8. Referendum.** The question of whether to impose a local option sales tax must be 1 2 submitted in accordance with this subsection to the legal voters of a municipality that seeks 3 to impose the local option sales tax. 4
 - A. The referendum question must indicate the rate of the local option sales tax.
 - B. The petition process and voting must be held and conducted in accordance with Title 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the provisions of Title 30-A, section 2528.
 - C. The voting at elections must be held and conducted in accordance with Title 21-A.
 - D. 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.
 - E. The local option sales tax may be discontinued by referendum conducted in the same manner as the referendum adopting the tax under this subsection.
 - 9. Effective date of tax; acceptance by voters. A local option sales tax authorized by this section takes effect on the first day of the first month that begins after 120 days have passed from the municipal referendum vote under subsection 9 if the referendum is approved by a majority of the legal 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 municipality in the most recent gubernatorial election. A local option sales tax may not take effect before January 1, 2026.

21 **SUMMARY**

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This bill allows a municipality to impose a local option sales tax of 2% on short-term lodging that is subject to the state sales tax if approved by referendum of the voters in that municipality. Ten percent of the revenue from the local option sales tax must be transferred to the Maine State Housing Authority to be used to provide subsidies through the rural affordable rental housing program or through another program that supports the development of affordable housing in rural communities and the balance distributed to the municipality imposing the local option sales tax.