



Testimony in Opposition to LD 1298, “[An Act to Allow a Local Option Sales Tax on Short-term Lodging to Fund Affordable Housing](#)”

Senator Grohoski, Representative Perry, and distinguished members of the Committee on Taxation, thank you for the opportunity to testify on LD 1298. My name is Jacob Posik and I serve as the Director of Legislative Affairs at Maine Policy Institute, a nonpartisan, nonprofit organization that works to expand individual liberty and economic freedom in Maine. I am testifying on behalf of Maine Policy in **opposition to LD 1298**.

Maine Policy strongly opposes the creation of a local option sales tax in Maine. Considering Maine already ranks as having the third highest total tax burden in the nation,¹ the last thing Mainers need is another tax. Mainers currently pay a 5.5% statewide sales tax and a 9% lodging tax. Whether it is for short-term lodging or consumer goods, the imposition of new sales taxes at the local level is a bad idea.

Sales taxes are regressive and disproportionately harm low-income Mainers, as do lodging taxes. The lowest 20 percent of income earners in Maine spend a significantly larger proportion of their earnings on sales taxes in comparison to top earners.²

While you may view this proposal as a means of extracting more money from tourists, keep in mind that Mainers also utilize short-term lodging arrangements for vacations, as do in-demand professionals (like healthcare workers) who travel to Maine for their jobs and work here on a temporary basis. In addition, since the pandemic, many professionals who work remotely and frequently travel over the course of the year also utilize short-term lodging arrangements. This legislation would penalize those individuals, too, simply for seeking a short-term lodging arrangement.

Limiting or attempting to restrict the use of short-term rentals by way of new local taxes, absent any articulable concerns for public health and safety, is unnecessary and reduces housing options for the individuals who prefer these arrangements. This kind of regulation suppresses the entrepreneurial spirit of individuals who want to generate supplemental income by using their own property to do so.

The short-term rental market has provided benefits to all sorts of everyday Mainers. When people are struggling to make ends meet, few sustainable options are available and those choices are usually confined to finding another job or cutting

¹ https://wallethub.com/edu/states-with-highest-lowest-tax-burden/20494#expert=Jordan_Barry

² <https://mainepolicy.org/wp-content/uploads/LOSTbriefreformatted.pdf>



extraneous expenses. But when you can rent out a portion of your home, it becomes a lot easier to pay the bills. Countless Mainers are doing this across the state.

Short-term rentals allow thousands of Mainers to earn extra income to provide for their families. A vibrant short-term rental market also supports tourists and visitors to Maine who prefer to find a place to stay that is different or cheaper than a hotel room.

Short-term rentals are voluntary, mutually-beneficial agreements negotiated by two parties exercising their individual choice and property rights. These are win-win situations into which politicians have no business unnecessarily inserting themselves by allowing the imposition of new taxes at the local level. Government should not dictate what individuals can or cannot do with their property provided public health and safety are not a factor.

If a municipality wishes to increase its affordable housing stock, it will eliminate onerous and unnecessary zoning and land use restrictions, and repeal existing rules that make building more expensive and prohibitive. The solution isn't to tax and spend. The solution is for towns to eliminate the rules that make building too expensive and unaffordable in the first place. Put simply, if a town wants more affordable housing, it should make building housing more affordable.

Please deem LD 1298 "**Ought Not To Pass**" to protect property owners and Maine citizens from unnecessary taxation. Thank you for your time and consideration.