

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *February 12, 2025, Wednesday, at 1:00 PM*

LD 291 – *“An Act to Eliminate the Lodging Tax on Campground Sites and Revert to Using the Current Sales Tax”*

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 291, *“An Act to Eliminate the Lodging Tax on Campground Sites and Revert to Using the Current Sales Tax.”*

The Administration opposes the change set forth by LD 291 foremost because it is not clear just what policy purpose is served by taxing tourist and trailer camps at a lower tax rate than other rentals of living quarters. Currently, the rental of living quarters in a “hotel, rooming house or tourist or trailer camp” is subject to the 9% sales tax rate. This bill would remove rentals of living quarters in “tourist or trailer camps” from the imposition of the 9% rate, subjecting them instead to the general 5.5% sales tax rate.

Second, LD 291 as drafted creates a problematic difference in application of sales tax rates. As currently defined, the terms “hotel,” “rooming house,” “tourist camp,” and “trailer camp” can overlap. For example, the definition of “tourist camp” includes “camp cottages or other structures . . . offered to the public.” A camp cottage may also be considered a “rooming house,” which likewise includes

“cottage[s]” and “vacation home[s]” within its definition. As such, the lines being drawn by this bill, and the policy reasons for those distinctions, are not clear.

These overlapping definitions in the LD as drafted would result in inequitable taxation across similar properties depending upon whether they are co-located at a tourist or trailer camp. The definitions of “tourist camp” and “trailer camp” refer to a location where certain activities take place, whereas the definition of “hotel” refers to a structure. Further, the definition of “rooming house” refers to both structures and locations where living quarters are offered. Thus, for example, a tourist camp with both tent space and a small motel structure would collect the 5.5% general sales tax rate on both rentals, because the motel is located *in* the tourist camp, while a motel that is not located in a tourist camp would be taxable at the 9% rate. The overlapping definitions also will likely create practical compliance problems for some businesses. Transient rental platforms and room remarketers may have difficulty determining the appropriate tax rate for rentals of camping sites and trailer space. If the bill does not clearly define which types of rentals would be taxed at the reduced rate, MRS may need to untangle the likely confusion for business through rulemaking and guidance, and MRS may be unable to do so before the bill’s January 1, 2026, effective date .

Also, it should be noted that removing “tourist or trailer camps” from the 9% tax rate would also result in a reduction in the revenues transferred to the Tourism Marketing Promotion Fund.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.