

Testimony of Nate Cloutier

On Behalf of the Maine Tourism Alliance

Before the Joint Standing Committee on Taxation

February 11, 2025

In Opposition to LD 283, “An Act to Expand Local Revenues by Including Meals and Lodging Sales Tax Revenue Under the State-Municipal Revenue Sharing Program”

Senator Grohoski, Representative Cloutier, and distinguished members of the Taxation Committee, my name is Nate Cloutier, and I am here today on behalf of the Maine Tourism Alliance (the Alliance). The Alliance is made up of the Maine Tourism Association, Retail Association of Maine, HospitalityMaine, Ski Maine Association, and the Maine Campground Owners Association. Our collective associations are dedicated to the success of tourism in Maine. We respectfully oppose LD 283, *“An Act to Expand Local Revenues by Including Meals and Lodging Sales Tax Revenue Under the State-Municipal Revenue Sharing Program.”*

LD 283 proposes to redirect 1% of meals and lodging sales tax revenue to the municipalities where it was collected, creating uncertainty regarding its impact on the Tourism Marketing Promotion Fund (TMF). Since 2001, this dedicated, nonlapsing fund has been essential in promoting Maine as a premier travel destination.

Currently, 5% of the 8% tax on prepared meals and 5% of the 9% tax on lodging is allocated to the TMF. However, it remains unclear whether this funding would be protected before the proposed municipal redistribution occurs. 5 MRS §13090-K(2) in the TMF section of the statute states, “The tax amount must be based on actual sales for that fiscal year and may not consider accruals that may be required by law.” Without clarity, this measure risks diverting essential marketing dollars at a time when summer visitation has already declined by 9% in 2024 (Maine Office of Tourism).

Tourism is one of Maine’s largest private industries, supporting over 150,000 jobs and generating \$16 billion in annual economic impact (2023). Notably, the Maine Office of Tourism (MOT) reports that 94% of visitors polled intend to return—a testament to the success of the state’s strategic marketing efforts. While Maine’s natural beauty, vibrant communities, and small businesses make a lasting impression on visitors, we need tools like the TMF to attract them here in the first place. Restaurant and lodging taxes paid by tourists reduced the tax burden on Maine households by nearly \$2,200 (MOT), demonstrating how a strong tourism economy directly benefits residents. A well-funded TMF is crucial to attracting visitors in the first place—especially as Maine competes with other states making significant investments in tourism marketing.

While LD 283 does not raise taxes, it sets a precedent for redistributing revenue, which future legislatures could expand. This creates some anxiety and uncertainty for businesses already navigating rising costs,

slim profit margins, and economic unpredictability. Given that Maine's meals and lodging taxes are relatively high regionally and nationally, further reductions in promotional funding or potential tax increases could make the state less competitive and discourage visitor spending. Additionally, we view this bill as a local option sales tax without the "local option."

Tourism and hospitality businesses, many of them small and family-owned, depend on consistent, strategic marketing to sustain Maine's strong visitor economy. Weakening resources for tourism promotion would make it harder for Maine to compete.

For these reasons, we respectfully urge the committee to vote Ought Not to Pass on LD 283.

Thank you for your time and consideration. I would be happy to answer any questions you may have.