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Senator Nicole Grohoski, Chair
Representative Kristen Cloutier, Chair
Members of the Taxation Committee

RE: Testimony in OPPOSITION to LD 632, An Act to Allow a Local Option Sales Tax on Short-term Lodging to Fund Affordable Housing and LD 746, An Act to Authorize a Local Option Sales Tax on Short-term Lodging to Fund Municipalities and Affordable Housing

Dear Senator Grohoski, Representative Cloutier and members of the Taxation Committee:

The Maine Grocers & Food Producers Association and the Retail Association of Maine are providing joint testimony on both LD 632 and LD 746. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise and specialty retailers, convenience stores, distributors, and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers.

We are writing to express my strong opposition to LD 632 and LD 746, which propose establishing a local option sales tax in Maine. While we understand the intent behind these bills—to generate additional revenue for local municipalities—the implementation of a local option sales tax would have significant negative consequences for Maine residents, businesses, and our overall economy.

1. Increased Tax Burden on Maine Consumers

Maine does not currently have a local option sales tax, and introducing one would create a patchwork of varying tax rates across municipalities. This inconsistency would likely lead to confusion among consumers and businesses while disproportionately impacting lower-income residents who already face financial challenges.

2. Impact on Small Businesses and Retailers

We are deeply concerned about the effect this tax will have on Maine's small businesses and retailers. Higher sales taxes could deter consumers from shopping locally, driving them to shop online or in neighboring states with lower overall tax burdens. Retailers in border towns, in particular, would be at a competitive disadvantage if nearby municipalities offer lower taxes or no sales tax at all.

3. Administrative Complexity and Compliance Costs

A local option sales tax would create additional administrative burdens for businesses, particularly those operating in multiple municipalities. Tracking different tax rates, reporting requirements, and remittances would add complexity and cost to already strained small businesses. At a time when many businesses are recovering from and bracing for economic uncertainty, imposing new tax collection responsibilities could be especially harmful.

4. The Risk of Future Tax Increases

While proponents may argue that revenue from a local option sales tax will fund important local initiatives, the reality is that once implemented, such a tax opens the door for future increases. What may begin as a modest tax could evolve into a significant financial burden on both consumers and businesses over time.

5. Potential for Economic Disparities Among Municipalities

A local option sales tax would benefit wealthier communities with higher commercial activity while leaving rural and lower-income areas struggling to generate the same revenue. This could deepen economic disparities across the state, undermining efforts to create equitable opportunities for all Mainers.

For these reasons, we urge you to oppose these bills and reject the introduction of a local option sales tax in Maine. Instead of increasing taxes, we should explore alternative ways to support local governments without adding to the financial strain on businesses and consumers.

For these reasons, we respectfully urge the committee to reject these proposals. Thank you for your time and consideration.



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