

Testimony in Support of LD 225, An Act to Reduce Property Taxes and Finance Public School Construction and Education Through a 3 Percent Sales Tax on Hotel and Lodging Place Rentals

March 12, 2025

Sen. Grohoski, Rep. Cloutier, and members of the Taxation Committee, my name is Maura Pillsbury and I am a tax policy analyst at Maine Center for Economic Policy. We are testifying in support of LD 225.

LD 225 would increase the tax on hotels, living quarters, and lodging places by 3% (from 9% to 12%) in order to fund public school construction and k-12 education. MECEP strongly believes in order to meet the commitments the Legislature has made to the people of Maine we need increased revenue, which this bill would help bring in.

This proposal would largely increase taxes on tourists. Roughly 2/3rds of taxes paid under this bill are likely to be exported to those traveling from out of state. Tourists visiting our state put an increased burden on state and local resources and infrastructure, which is why taxing hotels and lodging is important for the state to offset these costs.

Stable funding for infrastructure benefits us all—it helps create communities where Mainers thrive, businesses want to invest, and tourists want to visit. Many tourist destinations are raising taxes in response to increased demand.ⁱ

It is important to consider that some of this tax will fall on Mainers. Because sales tax is regressive, meaning those with lower incomes pay a greater proportion of their income in this type of tax, this remaining amount is likely to fall more on those who cannot afford it. If the Committee moves forward with this proposal, it would be important to consider exceptions to this tax for those who are without permanent housing and live in the rentals this bill seeks to increase taxes on.

Thank you for your time. I would be happy to answer any questions.
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ⁱ Wong, Kathleen. "Destinations behind a paywall? What to know about the increasing tourist fees worldwide." 25 Jan 2024. USA Today. <https://www.usatoday.com/story/travel/2024/01/25/increasing-tourist-taxes-travelers/72261300007/>