
Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation
May 8, 2025

In Opposition to LD 1807, “*An Act to Expand the Sales Tax to Luxury Services and Adjust the Sales Tax on Rental Cars*”

Senator Grohoski, Representative Cloutier, and distinguished members of the Joint Standing Committee on Taxation, my name is Nate Cloutier, and I am here today on behalf of HospitalityMaine (HM), representing Maine’s restaurant and lodging industries. I am also testifying on behalf of the Maine Tourism Association (MTA). MTA has been promoting Maine and supporting tourism-related businesses—from lodging and dining to camps, retail, guides, amusements, and historic attractions—for over 100 years. “*An Act to Expand the Sales Tax to Luxury Services and Adjust the Sales Tax on Rental Cars.*”

LD 1807 increases the sales tax on short-term automobile rentals from 10% to 15% and eliminates the exemption for those rentals associated with car-dealership initiated loaner vehicles. It also creates new categories of luxury services subject to the sales tax, including the charter of a private aircraft or helicopter, the rental of a limousine or luxury car, and the charter of a watercraft in excess of 25 feet.

At a time when tourism in Maine is facing real uncertainty, we urge caution. Our members are increasingly hearing from visitors that it’s becoming more expensive to vacation in Maine. This apprehension ultimately means that tourists are less likely to spend their limited discretionary dollars in our local restaurants and retail shops.

Tourism generates \$9 billion in direct spending annually and \$16 billion in total economic impact. It supports more than 130,000 jobs in every corner of our state.

Raising the rental car tax by 50% would give Maine one of the highest rental car tax rates in the country. That matters because public transportation options in Maine, especially in rural areas, are limited or non-existent. Most need to rent a car to get around to visit various attractions. This tax increase would make Maine a more expensive and less competitive destination, especially if consumers begin tightening their

budgets in questionable economic times.

It's admittedly not just tourists who will feel the impact. Mainers, (including our vital employees) who need a rental car while their vehicle is in the shop will also face higher costs.

Regarding the proposal to tax certain watercraft and aircraft charters, we note there may be federal constitutional preemption issues that the committee may want to examine closely. It is also unclear to us which vehicles will fall under the category of luxury cars.

For these reasons, we urge the committee to oppose LD 1807.

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