



**MAINE MUNICIPAL
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Testimony of the Maine Municipal Association

In Opposition to

LD 1381, *An Act to Create Fairness in Maine's Motor Vehicle Excise Tax by Basing the Tax on the Sale Price*

April 26, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee. My name is Kate Dufour, and I am offering testimony in opposition to LD 1381 on behalf of the 70 municipal leaders who were elected by their peers to serve on the Association's Legislative Policy Committee and directed to establish MMA's position on bills of municipal interest.

In 2019, municipalities statewide raised \$4.9 billion to fund county and school assessments, as well as to provide the municipal services that residents, business owners and visitors need. Of that total, 74% was funded with revenues generated at the local level. While property taxes accounted for the lion's share of municipal source revenue, at roughly \$258 million, the excise tax revenue generated helped to reduce from \$16.37 to \$14.50 the statewide mil rate necessary to fund local government services. Reducing the amount of excise tax revenue collected simply shifts additional burdens onto the regressive property tax.

While municipal officials understand that LD 1381 provides reimbursement for 100% of the lost revenues, it is a risk that local leaders are unwilling to take. Because the revenue assessed is an excise tax, and not a property tax, the Legislature is not required to reimburse communities. The constitutional requirement to fund at least 50% of lost revenue applies only to the property tax. If the bill is enacted, the Legislature could at any time reduce or completely eliminate the reimbursement.

Furthermore, it is anticipated that the proposed process will shift additional administrative responsibilities and costs onto municipalities. Will adjustments need to be made to tax collection software? What process will be put in place to allow municipalities to seek reimbursement?

In a nutshell, municipal officials do not believe that the Legislature should make it more difficult or expensive to collect needed municipal revenue.

If the Legislature believes individuals who are able to negotiate better deals or have access to higher valued trade-in vehicles are deserving of additional benefits, then state resources – not otherwise committed to local governments – should be used to provide the additional benefits. The property taxpayers simply cannot afford it.

Thank you for considering the municipal perspective on this issue. If you have any questions about the Association's position on this bill, please do not hesitate to contact me at kdufour@memun.org or 1-800-452-8786.