



# HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0002  
(207) 287-1440  
TTY: (207) 287-4469

## **Chad R. Perkins**

POB 251  
Dover-Foxcroft, ME 04426  
Residence: (207) 279-0927  
Fax: (207) 305-4907  
Chad.Perkins@legislature.maine.gov

8 Jan 24

### MEMORANDUM FOR RECORD

SUBJECT: LD 1027, An Act to Prohibit Local Sales Tax

Committee Chair Senator Grohoski, Committee Chair Representative Perry and distinguished members of the Joint Standing Committee on Taxation,

Thank you for allowing me to bring forth my bill, An Act to Prohibit Local Sales Tax.

I understand that your first question upon seeing this bill is, “Why do we need a bill to stop something that we, as a State, are not currently doing?” The answer is quite simple – because there are continued efforts to allow for the option of a local general sales tax in the State of Maine, including a competing bill in this legislature.

This bill does not aim to prohibit excise or special use taxes, such as so called ‘tourism’ taxes or taxes specifically applied to lodging, but only general sales taxes that may be imposed on the local level, either by a county, municipality or any defined special district. Currently, only four states have local taxes that are completely administered at the local level, with all other states that allow for local general sales taxation that are administered and collected collectively at the state level. Many of these states, in an effort to streamline services and comport to the South Dakota v Wayfair ruling from the Supreme Court, have joined the Streamlined Sales and Use Tax Agreement (SSUTA) compact in order to comport to the court’s ruling, even though the Wayfair ruling did not specifically address the constitutionality of local general sales taxes, or the Due Process issues that arise, in light of the ruling in the modern online economy. Currently, Maine is not part of the SSUTA compact nor does it have the infrastructure to handle centralized collection and administration of disparate local sales taxes.

So, what are the problems with local general sales taxes? In other states it has been used in certain large cities that rely on out-of-area visitors to fund special projects, the idea being that visitors have less

House District 31

*Atkinson Township, Brownville, Dover-Foxcroft, Lake View Plantation, Medford, Milo, Orneville Township, & Southeast Piscataquis*

political clout and are willing to pay the local taxes in return for whatever appeal and draw the city has. But Maine is not other states. In the majority of Maine, we have a few larger towns surrounded by a few dozen much smaller rural communities that utterly depend on those larger communities for commerce. If Maine were to allow local option sales taxes, as proposed by some, members of those smaller communities would end up funding large portions of the budgets of those larger communities without any representation in their government while being offered little more in return than the fact that the adjacent town was picked to be home for a Shaws, Lowes or Target simply because of their population.

Additionally, if municipalities were allowed to adopt local general sales tax options, Maine would join Alabama, Alaska, Colorado, and Louisiana as only the fifth state to do so with no centralized tax processing mechanism (although Louisiana has recently attempted to change this). This would create a multi-jurisdictional nightmare for both online retailers and physical retailers that operate in more than one municipality. As tax compliance sits squarely on the shoulders of the entity collecting the taxes at the point of sale and then remitting them to the collecting jurisdiction, this would require that said retailers have intimate knowledge not only of the State's sales tax requirements, but numerous other jurisdictions, limited only by the number of local entities that adopt local sales tax options. This would hold true for ensuring collection, compliance and auditing requirements as well. Not only would this greatly increase risks to the retailer, it would do so at a rate much higher than the benefit offered to the government, in the form of taxes provided, and the retailer, in the benefit of offering a place to do business. The additional reporting and administration requirements placed on a retailer, because of numerous and varying local tax regulations, would not only significantly increase costs for all retailers that operate in more than one jurisdiction (which would be passed on to Maine citizens), but as the court warned in *Wayfair*, tax collection obligations that were particularly onerous or that placed an undue burden on the retailer were still unconstitutional under the Commerce Clause (Art I Sec 8) and the Due Process Clause (14<sup>th</sup> Amendment). As Maine has no collective, centralized entity to deal with local taxes, this would be the case.

As you can see, I am not asking to change the way we do business. I am not asking for any expenditure except the cost to add a new statute to the books, basically a law with zero fiscal impact. I do not want anything earth shattering by passing this bill. I am only asking the committee to support a law that codifies into statute what we already do in order to protect those businesses the conduct commerce in Maine, especially those Maine based businesses that operate in more than one town, keep costs down to Maine citizens, and follow the Constitution.

House District 31

*Atkinson Township, Brownville, Dover-Foxcroft, Lake View Plantation, Medford, Milo, Orneville Township, & Southeast Piscataquis*

I encourage the committee to consider this legislation and support it with a vote of 'Ought To Pass'. I thank you for your time and will gladly answer any questions to my ability.

Respectfully,



Rep. Chad R. Perkins  
District 31

CF:  
Committee Chair Senator Grohoski  
Committee Chair Representative Perry  
Taxation Committee Members

House District 31

*Atkinson Township, Brownville, Dover-Foxcroft, Lake View Plantation, Medford, Milo, Orneville  
Township, & Southeast Piscataquis*