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Testimony
In Support of

LD 1893 – An Act to Allow a Municipality to Impose a Fee on Short Term Rentals for the benefit of That Municipality

Presented by Representative Strout of Harrington – District 11

Good afternoon, Senator Grohoski, Representative Perry and distinguished members of the Taxation committee. I am Representative Tiffany Strout from Harrington, representing the towns of Milbridge, Harrington, Columbia, Columbia Falls, Centerville, Addison, Jonesport, Beals, Jonesboro, Roque Bluffs, Whitneyville and Machias and I am here today to introduce my bill **LD 1893 “An Act to Allow a Municipality to Impose a Fee on Short Term Rentals for the benefit of That Municipality.”**

Thank you for taking the time today for being here to listen to my bill. The title of this bill may be a little deceiving as it looks like a municipality would be able to add a fee to businesses that are short term rentals, but it does not. This bill would add a fee to be paid by the renter of the short-term rental. This fee would be collected by the state and then transferred to the individual municipality.

The collected fee would then be able to be used in the individual municipality which would help to ease the cost to the business owners and those who pay property tax. This fee could only be applied after an individual municipality holds a referendum where local citizens would determine if they wanted the set amount, determined by the municipality, fee applied. This is not a mandate by the state but rather bringing this decision to local control.

This bill only applies to those staying in short term rentals where the 9% lodging tax is applied, not on every rent, and is also specific to not having any effect on any of the subsidy funding that is received by the municipalities from the state. This is not a new concept as most every state nation has an entertainment fee, facility fee or resort fee and some have a tourism tax. These fees in other states are intended to do the same as this bill, to help with maintenance or infrastructure for those who get the enjoyment of visiting and using the facilities of the places they choose to visit.

In many of my communities, like others around the state, property tax increases are driving people out of their homes. Coastal residents who have had houses in their families for generations are no longer able to stay. With policies that have allowed for the cost of living to be unattainable for working families, those on a fixed income are hit even harder. This bill only applies if a person travels and stays in a place that charges the lodging tax. If you do not stay in a place with a lodging tax, you will never see this fee and if you travel anywhere in the state of Maine where a lodging tax is applied, you may see the assigned municipality fee and know like in your town the fee is going towards making the place you are visiting be maintained as a place you would like to visit.

Recently the property evaluations have been released and Milbridge's evaluation has increased \$24 million dollars. The recent storms that ravaged the coast and knocked out a large quantity of the wharfs and damaged some boats that are used for the incomes that support those in the town and in other communities. The increase in evaluations means less subsidy from the state for our schools. With less subsidy for the schools, property taxes need to increase.

Property taxes also cover the cost of the county budgets. The county budgets include the Sheriff's department, county jail and dispatch among other public services. Safety is a major concern for all citizens and in Washington County, much like other counties, we have a drug problem. Just recently the local Machias Police Department broke up a Chinese illegal marijuana operation where they seized more than 2600 plants and 100 pounds of processed cannabis and Washington County reported the highest overdoses in the state at 13.2% from January – July 2023.

The Washington County County budget was going to be an increase of \$1 Million this year in part to the State Police pulling out of rural patrol and other direct costs. There was a request for 3 officers and 4 dispatch positions, and the county budget approved 1 officer and 2 dispatch positions. The cost is not as high, but the protection is also as good as it could be considering the drug use and distance the officers need to travel.

Property taxes also fund our Ambulance services, EMS and Fire Fighters. Even though small communities still have volunteer fire fighters there are still a cost to their safety gear and the trucks. With the drug overdoses, elderly population, and distance these organizations need to travel to reach those in need, more money needs to also be added to fund these organizations.

All these costs are felt in all areas of the state but some more than others and when there is an influx in the population, those traveling here to stay also have all these services in case they need them. We want people to see us take pride in our kids; the roads are maintained so they do not destroy their vehicles and they feel safe if they have an accident or are in trouble. Providing all these services helps to draw people to the area and applying a fee to make sure they can have these accommodations seems like a reasonable request, because if the locals can't afford to pay these costs, the tourists will not have them either.

The intent of this bill is to find ways to keep funds local for better use of the funds and better investment for a safe and clean community for the citizens as well as the people who choose to travel here. This bill will not be the fix all the property tax relief that is desperately needed in our state. There needs to be a review of the school funding formula and better allocation of funds from the state for emergency personnel are also all needed as well as cutting income tax rates.

Keeping money local has a greater impact on the local economy and the residents as they are familiar with the community needs and how best to help. What this bill would do is provide some support locally while the other tax reform is being worked out

In researching my bill idea I learned that the municipalities receive very little return on the 9% lodging tax. When collected the lodging tax goes in the general fund and a portion of that fund gets divided by formula into the revenue sharing fund and then a formula to get some money back to the municipalities.

The other item that was brought to my attention is that those traveling for medical treatment would now also have to pay a short term rental fee, and this could be an additional burden to them, which is not the intent of the bill.

So, what I would like to do is amend this bill to say local municipalities would receive more of the lodging tax that is already collected on short term rentals. Prior to the funds going into the general fund 2% would be taken from the tax and then returned to the municipality where the lodging tax was collected. Providing moneys from the already collected tax will serve the same purpose with out adding any additional fees to the people of Maine whether they travel for pleasure or medical needs.

Maine is the best state in the nation with its diversity of landscape with the mountains, lakes, wildlife and the ocean. People will continue to visit this beautiful place and this bill would allow local people to receive a little relief as these funds could help offset property tax costs.

Thank you for listening and I welcome any questions.

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