



# HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0002

(207) 287-1400

TTY: MAINE RELAY 711

## **Ambureen Rana**

124 West Broadway

Bangor, ME 04401

Cell: (207) 350-5081

[AmbureenRana@legislature.maine.gov](mailto:AmbureenRana@legislature.maine.gov)

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*Testimony of Representative Ambureen Rana Presenting*

## **LD 440, Resolve, to Study the Economic Effects of Instituting a Seasonal Sales Tax**

*Before the Joint Standing Committee on Taxation*

Good afternoon Senator Grohoski, Representative Cloutier and distinguished members of the Joint Standing Committee on Taxation. My name is Ambureen Rana, and I represent House District 21, which includes a portion of Bangor. I am here before you today to introduce **LD 440, Resolve, to Study the Economic Effects of Instituting a Seasonal Sales Tax.**

This resolve requires Maine Revenue Services to conduct a study on the effects of a seasonal sales tax. LD 440 would simply require that a study be done to help project how Maine might increase sales tax for those visiting during our busy months, in an effort to help grow the amount of funds available to us to support the programs we care about most.

Maine restaurants earn over twice as much revenue in August than in January. Maine hotels and lodging establishments take in eight times more in August than in January. Carefully studying the impacts of a seasonal sales tax on the Maine economy makes sense.

According to the projections of two academic economists – Brendan Moore, a Stanford Economics PhD candidate and Bangor native, and Beomyun Kim, an Iowa State Economics PhD candidate – a seasonal sales tax would deliver substantial benefits to the year-round residents of Maine.

According to the authors, total tax revenue would increase by \$117.3 million, with a substantial shift in tax burden between residents and tourists. While year-round residents would face a modest increase in direct tax payments of \$28.2 million (2.8% increase), tourists would contribute an additional \$89.1 million (34.1% increase) in tax revenue.

If the additional revenue were used for tax relief, this would effectively result in a net benefit of \$55 per Maine resident annually, as the increased revenue from tourists (\$77.50 per resident) would more than offset the increased tax burden on residents (\$24.50 per resident). This proposal can also be modified to deliver a tax cut to Maine residents while still raising a (smaller) increased tax revenue from tourists. This redistribution demonstrates that a seasonal sales tax could successfully leverage Maine's tourism industry to provide tax relief for year-round residents while maintaining and even increasing overall tax revenue.

Thank you for your consideration. I am happy to answer any questions.