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Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation
March 12, 2025

In Opposition to LD 225, *"An Act to Reduce Property Taxes and Finance Public School Construction and Education Through a 3 Percent Sales Tax on Hotel and Lodging Place Rentals"*

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 members in every type of tourism business, such as lodging, restaurants, camps, campgrounds, retail, guides, tour operators, amusements, and historical and cultural attractions for over 100 years. HospitalityMaine and the Maine Tourism Association oppose LD 225, *"An Act to Reduce Property Taxes and Finance Public School Construction and Education Through a 3 Percent Sales Tax on Hotel and Lodging Place Rentals."*

LD 225 would create an additional 3% sales tax on hotel or lodging places, increasing the existing lodging rate of 9% to an effective rate of 12%. The revenue from the tax must be credited to the Department of Education to be used to fund school construction and K-12 education.

Maine's hospitality industry is a critical driver of the state's economy, particularly the lodging sector:

- 670+ hotel properties statewide
- Over 39,000 jobs supported
- More than \$2.1 billion in wages and salaries paid
- Guest spending in the Maine economy is \$3.3 billion

This bill is very concerning to lodging operators across Maine. Hiking the effective statewide lodging tax rate by a 33% increase would make Maine the state with the second highest statewide lodging tax rate in the U.S., creating a true economic outlier.

HM and MTA have consistently opposed increases to the lodging tax for several reasons. In the summer of 2024, Maine experienced a 9% decline in visitation, raising concerns about the upcoming and future seasons. An increase to 12% could drive even more travelers to look elsewhere. Given ongoing uncertainties, such as international tariffs and fluctuations in Canadian travel, Maine's tourism businesses cannot afford another competitive disadvantage. We have already heard from some Canadian travelers who visit Maine every year that they are thinking of canceling—or have canceled—their annual trips, which would be harmful to the tourism communities that rely on these visitors.

Other states would have much lower statewide lodging tax rates, including our closest neighbor, New Hampshire, which actually lowered its meals and lodging tax rate to 8.5% from 9%. Notably, New Hampshire also has no sales tax, making Maine even less competitive in the tourism market.

It is also important to recognize that lodging tax increases do not only affect tourists. We estimate that one-third of lodging stays in Maine are booked by Maine residents. Higher lodging costs would make travel within our own state more expensive for local families, compounding an already high tax burden. Whether it is tourists or Mainers booking lodging, increasing the lodging tax, especially by such a significant amount, means less discretionary spending in restaurants and retail stores.

A 33% increase to the statewide lodging tax rate would have direct and indirect harm to Maine's lodging businesses at a time when many are still working to recover from recent economic challenges. The result is a troubling trend: Maine's hotel occupancy rates are already lagging behind the rest of New England, and that disparity continues to grow. Rather than adding additional burdens on tourism-dependent businesses, we should be focused on policies that strengthen Maine's appeal as a destination and support economic growth.

At a time when Maine should be positioning itself as a premier travel destination, this tax increase would make the state less attractive, less affordable, and less competitive. For these reasons, we urge you to oppose LD 225.

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