

**Testimony of Linda Caprara**

**On Behalf of the Maine State Chamber of Commerce**

**In Opposition to L.D. 632, An Act to Allow a Local Option Sales Tax on Short Term Lodging to Fund Affordable Housing” and L.D. 746, An Act to Authorize a Local Option Sales Tax on Short Term Lodging to Fund Municipalities and Affordable Housing,” Before the Joint Standing Committee on Taxation**

**March 12, 2025**

Good morning, Sen. Grohoski, Rep. Cloutier and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara I am the Vice President of Advocacy for the Maine State Chamber of Commerce. I am here today to testify in opposition to both **L.D. 632, An Act to Allow a Local Option Sales Tax on Short Term Lodging to Fund Affordable Housing”** and **L.D. 746, An Act to Authorize a Local Option Sales Tax on Short Term Lodging to Fund Municipalities and Affordable Housing,”**

The Maine State Chamber of Commerce has long opposed local option sales taxes for a variety of reasons. Simply put, local option sales taxes regardless of what they are imposed upon are nothing more than another layer of taxation at the local level. While the two bills are different in their approach to providing additional funding for affordable housing, our opposition remains the same.

L.D. 632 would authorize a municipality to impose a local option sales tax of 2% on short term lodging, if approved by the voters in that municipality, to fund affordable housing in the municipality that imposes the tax. It would also allow a municipality to use those revenues to provide rental assistance to low or moderate income households, folks that probably do not currently qualify for general assistance. These are costs which municipalities do not currently cover.

L.D. 746 would also allow a municipality to impose a local options sales tax on short term lodging if approved by voters in that municipality. It would require 10 percent of the revenue to be transferred to the Maine State Housing Authority to be used for affordable housing and the balance to be returned to the municipality imposing the tax.

Overall, local option taxes are nothing more than another way to raise revenue for municipalities to spend and would do nothing to reduce taxes at the local level. After all, any time a municipality needs a new fire truck, a new school, or any new budget item they could simply go out to referendum to try to get the authority to impose the tax. These taxes are also

discriminatory, targeting certain sectors of the business community such as retail or lodging from which these taxes are raised.

Municipalities need to focus on spending efficiencies and not just continually raising taxes on Maine businesses and Maine people. Local option sales taxes hurt small brick-and-mortar businesses. Many folks buy local to support small brick-and-mortar businesses in their municipalities. Local businesses located in one locale compete with local businesses in another locale and on-line. Businesses located in towns that enact a local option sales tax will be at a competitive disadvantage with businesses in municipalities that do not enact a local option sales tax, ultimately pitting one community against another.

Over the past couple years, we have seen an increasing number of bills that would give municipalities the potential authority to impose local options sales taxes to fund all sorts of things such as education, affordable housing, property tax relief, the list goes on and on. But what these bills don't consider is the potential economic impact more taxes will have on local small businesses that are already struggling to survive, particularly when they compete with online retail and globally.

Municipalities around the state work hard to try to attract businesses to their locales; many hire economic development directors to do just that. This will do nothing to attract businesses but discourage businesses from locating in towns that have additional taxes. This bill will make towns that impose sales taxes less attractive locations. And, once local option taxes are in place, they would be virtually impossible to remove

Ultimately, enacting a local option sales tax increases the total tax burden in the state, where our tax burden is already high enough. Maine already ranks #10 for the top marginal income tax rates in the nation. In addition, our property taxes burden ranks #48 in the nation. Raising more taxes isn't necessarily the answer. Again, spending needs to be considered as well.

Again, we urge the Committee to vote No on L.D. 632 and L.D. 746. I would be happy to answer any questions.