

Testimony in support of LD 414 “An Act to Prohibit Deceptive Pricing”

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Good Afternoon, Senator Curry, Representative Gere, and members of the Joint Standing Committee on Housing and Economic Development. My name is James Myall. I’m a Policy Analyst at the Maine Center for Economic Policy, and I’m here to testify in support of LD 414, “An Act to Prohibit Deceptive Pricing.” MECEP supports LD 414 because we believe consumers and businesses are best served when prices are fair and transparent, and ultimately our economy functions best when people have accurate information.

LD 414 would address a pervasive problem in certain sectors of our economy. All too often, businesses are engaging in deceptive pricing practices. Two related practices are particularly concerning. “Junk fees,” are extra charges added onto the listed price of an item or service, which mean that the price you have to pay is higher than what was advertised. A related practice is “drip pricing,” where customers find extra fees and charges being gradually added on until the final price is much higher, but the consumer is so far into the buying process that they agree to the higher price.

Some examples might include “booking fees” for concert tickets, “resort fees” for hotels and “cleaning fees” for short-term rentals, which don’t appear in the list price, but are unavoidable for customers. It’s important to note that there are plenty of examples of optional fees which the customer can avoid, and which therefore would not be covered by this legislation – for example a delivery charge, or the baggage fee on an airline.

There are various estimates of the cost of these practices to consumers, but one suggests Americans households on average pay \$650 each year in these fees.¹

Businesses which use these practices do so because it works for them – but not for consumers. Studies find that customers are lured in by the deceptively low list price, and end up paying more than they want, and leave the buying experience dissatisfied.² At the same time, it’s harder for individual businesses to be upfront with their pricing structure because their unscrupulous competitor will advertise what seems to be a lower price. Having state legislation like this will help level the playing field for Maine businesses and allow consumers to make more informed choices. In other words, it will create a more efficient market.

If adopted, Maine would not be an outlier in passing this legislation. New York, Minnesota, and California all have similar laws in place, and a number of other states are considering

similar measures. The federal government recently issued a variety of rules to help regulate these fees. The Federal Trade Commission proposed nationwide regulation fees for concert tickets and short-term rental facilities on a bipartisan basis,³ and a separate rule governing car dealerships,⁴ and a while these have been paused by judicial orders or the new administration, the logic behind them remains sound. This bill would also build on the work of this committee last session to ban hidden fees in the housing rental market and apply the same policy benefits to other parts of the economy.

I urge you to vote “ought to pass” on the legislation and I’m happy to take any questions.

Notes

¹ White House Council of Economic Advisors, “The Price Isn’t Right: How Junk Fees Cost Consumers and Undermine Competition.” Mar 5, 2024. <https://bidenwhitehouse.archives.gov/cea/written-materials/2024/03/05/the-price-isnt-right-how-junk-fees-cost-consumers-and-undermine-competition>

² Santana, Shelle and Dallas, Steven, Consumer Reactions to Drip Pricing (October 22, 2019). Santana, Dallas, and Morwitz (2020), "Consumer Reactions to Drip Pricing," Marketing Science, 39 (1), 188 - 210., Available at SSRN: <https://ssrn.com/abstract=3924320>

³ “Federal Trade Commission Announces Bipartisan Rule Banning Junk Ticket and Hotel Fees” Dec 17, 2024 <https://www.ftc.gov/news-events/news/press-releases/2024/12/federal-trade-commission-announces-bipartisan-rule-banning-junk-ticket-hotel-fees>

⁴ “FTC Announces CARS Rule to Fight Scams in Vehicle Shopping” Dec 12, 2023

<https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-announces-cars-rule-fight-scams-vehicle-shopping>