

Formal Argument Opposing LD 1476

May 2, 2025

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation:

My name is Kay Charlotte Pozda Walten (Kay Walten), I hold an MS in Hospitality and Tourism Management and am a Certified Digital Marketing Professional residing in Woolwich, Maine. I am a long-time industry professional, an adjunct professor, and a consultant supporting small lodging operators, vacation rentals, campgrounds, and tourism-based businesses here in Maine and throughout the United States.

Please accept this document as my formal opposition to LD 1476 (HP 968), the proposed \$2 nightly fee on lodging and camping accommodations.

As someone with deep experience in both hospitality operations and destination marketing, I believe this bill places an unfair burden on an already fragile and economically vital industry in Maine.

Executive Summary

We respectfully oppose LD 1476 (HP 968), which proposes a \$2 per-night lodging fee in Maine. While supporting homeless shelters is a vital public goal, this bill misplaces the burden on an already struggling tourism industry.

Key concerns include:

- Decline in Canadian and overall visitation to Maine
- Competitive disadvantages compared to neighboring states
- Disproportionate impact on small businesses, campers, and in-state residents
- Lack of clarity, accountability, or a sunset clause in the bill

We urge lawmakers to reject this bill in its current form and pursue funding alternatives that do not compromise Maine's hospitality sector or its economic recovery.

1. Maine's Tourism Industry Is Already in Decline

Tourism contributed over \$9 billion in direct spending in 2024 and supported approximately 131,000 jobs. However, total visitor numbers fell from 15.27 million in

2023 to 14.8 million in 2024—a 3% decline—with summer tourism dropping by 9%. Implementing a new fee now risks exacerbating this trend.

2. Canadian Tourism Is Down Significantly

Canadian visitors are crucial to Maine's tourism economy, representing nearly 5% of total visitation and contributing \$464 million annually. However, March 2025 saw a 26% drop in Canadian travelers, with forecasts predicting a 25% decline for the remainder of the year. A \$2 nightly fee, though small, may discourage these already hesitant travelers.

3. Maine Will Lose Ground to Neighboring States

Maine's lodging tax is already 9%. Adding a \$2 nightly fee increases total cost and risks making Maine less attractive than New Hampshire (8.5% tax) and Vermont (9% plus optional 1%). Tourists comparing regional destinations may choose elsewhere based on price.

4. A Flat Fee Penalizes Budget Travelers and Small Businesses

A \$2 fee on a \$40 camping site is a 5% increase; on a \$400 hotel, it's just 0.5%. This regressive structure hurts budget-conscious travelers and rural communities that depend on affordable lodging. It also burdens small, independent operators who lack the resources to absorb or manage the fee.

5. Collection Issues Through OTAs and Platforms

Most short-term rentals rely on third-party platforms like Airbnb and VRBO, which may not allow easy implementation of custom local fees. This could result in miscollection, penalties, or lost bookings, placing further strain on property owners. Inconsistent collection can also create legal and administrative headaches for both operators and the state. This inconsistency could also lead to unfair enforcement actions against small hosts who lack direct control over OTA fee structures.

6. The Fee Undermines Guest Experience and Maine's Image

Guests expect transparent pricing. A new fee may feel like a 'hidden cost' and negatively impact reviews, repeat visitation, and online reputation. This friction is particularly damaging in a competitive market where trust and simplicity are vital. Eroding guest

trust through hidden fees risks long-term damage to Maine's reputation as a welcoming, high-value destination.

7. Seasonality Makes the Fee More Harmful

Most Maine tourism businesses depend on just a few months of high traffic. A nightly fee that stacks up during peak season will hurt both profitability and guest satisfaction during their most critical revenue-generating period.

8. The Bill Lacks Accountability and Clear Structure

The bill includes no sunset clause, reporting mechanism, or allocation breakdown. It risks becoming a permanent tax without adequate transparency or performance review tied to homelessness outcomes.

9. Fee Affects Maine Residents Booking In-State

This fee applies to all guests-including Maine residents. Locals booking for staycations, hospital visits, weddings, or school functions will also be subject to the tax, reducing access to local accommodations.

10. Effective Alternative Funding Models for Homeless Shelters

Maine's emergency shelters are at a breaking point, with demand outstripping available beds and operating costs averaging \$102 per night-while state subsidies cover only a fraction of this amount. Shelter leaders have described the situation as an "existential crisis," with some, like the Mid-Maine Homeless Shelter, resorting to loans to keep their doors open. Without recent state grants and flexible funding, several shelters would have closed their doors this year. This urgency underscores the need for immediate, effective funding solutions that do not harm Maine's tourism economy.

Importantly, Maine has already demonstrated the feasibility of alternative funding models:

- **State Grants and Reallocation:**
MaineHousing recently awarded \$7.7 million in grants to 22 organizations across the state, supporting new facilities and expanded services for up to 1,000 people. This was accomplished by reallocating surplus state revenues, not by imposing new guest taxes.

- **Performance-Based and Flexible Funding:**
The Emergency Shelter and Housing Assistance Program (ESHAP) distributes funds to shelters based on operations, stabilization services, and performance outcomes. This model rewards effectiveness and supports agencies that help clients achieve housing stability, leveraging both state and federal dollars.
- **Targeted Pilot Programs:**
In 2025, MaineHousing awarded \$2 million to pilot programs in Portland, Lewiston, Biddeford, Bath, and rural Aroostook County, hiring specialists and providing direct relief to prevent student homelessness. These pilots are funded through legislative appropriations, not guest fees, and are designed to be flexible and responsive to local needs.
- **Community and Philanthropic Support:**
Many Maine shelters supplement public funding with local fundraising, municipal support, and grants from businesses and foundations. This diversified approach has been essential for covering gaps and responding quickly to emerging needs.
- **Youth and Family-Focused Programs:**
Maine's Department of Health and Human Services, in partnership with local providers, supports youth and families experiencing homelessness through outreach, host home programs, and transitional living initiatives. These programs are funded through a mix of state contracts, federal grants, and community partnerships, offering flexible and sustainable alternatives to new guest taxes.

Other proven strategies that Maine can expand or adopt include:

- Allocating a portion of the existing 9% lodging tax to shelters.
- Creating an opt-in donation model at checkout.
- Leveraging federal programs like HUD's Continuum of Care and Emergency Solutions Grants, and using Medicaid for supportive services.
- Expanding partnerships with private foundations and corporations.
- Distributing funds based on shelter performance and outcomes, as piloted in other states.

By combining these strategies-which are already working in Maine and elsewhere-lawmakers can respond to the urgent needs of shelters without jeopardizing our vital tourism economy or placing new burdens on travelers and small businesses.

Conclusion

Tourism in Maine is at a crossroads. Imposing a nightly fee during a time of fragility will discourage travel, reduce competitiveness, burden small businesses, and create administrative confusion. This bill must be rejected in its current form to protect Maine's

tourism economy.

We respectfully urge lawmakers to convene a task force of tourism, shelter, and community leaders to develop a sustainable, collaborative funding plan-one that supports social services without penalizing our visitors or hospitality businesses.

Sincerely,

Kay Walten, MS Hospitality and Tourism Management
Woolwich, Maine

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