Fiscal Note

Fiscal Detail and Notes

All of the impacts described below are contingent on at least one municipality voting to impose a local sales tax.

This bill creates a local option sales tax of 1% on lodging. Municipalities can opt to create this tax through a municipal referendum. Revenues would be distributed 75% to participating municipalities and 25% to the Maine Rural Development Authority. If all municipalities were to opt for and approve this tax, annual revenues to municipalities and the Maine Rural Development Authority would be approximately $7.1 million and $2.3 million, respectively. The Department of Administrative and Financial Services (DAFS) has indicated it would require a General Fund appropriation of $850,000 in each of the first two years for computer programming, data cleansing, forms design, etc. to establish a local option sales tax system. DAFS would also require $109,000 annually for one Revenue Agent position.

Although it is not possible to predict how many municipalities would implement a local 1% tax, for comparison purposes Maine Revenue Services has estimated that if all municipalities voted to do so, General Fund revenue could be reduced by an estimated $0.5 million annually based upon a decrease in consumption because of an increase in the overall sales tax rate. There is no expectation that every municipality would implement a local tax.