



**CITY OF PORTLAND
ETHAN K. STRIMLING
MAYOR**

TESTIMONY IN SUPPORT OF A LOCAL OPTION SALES TAX

Senator Chipman, Representative Tipping, members of the Committee on Taxation, my name is Ethan Strimling and I am the Mayor of Portland, Maine. I stand before you today on behalf of the entire Portland City Council in support of the creation of a local option sales tax.

Without the state revenue sharing program fully funded at the mandated 5%, a significant burden has been created on municipalities, and more importantly, on property tax payers across the state. The creation of a local option sales tax program is a remedy that allows local governments to fund its critical programs, while providing much needed property tax relief. Based on estimates, if a local option sales tax were enacted, Portland will raise an estimated \$16.8 million per year. Applied to property tax relief, this equates to a mil rate of \$20.35 versus \$22.13 - a reduction of \$2.13 or 9.5%. An average homeowner (assuming a \$240k home value) would see a property tax savings of \$511. While this reduction will benefit all property owners, lower wage property owners will see the highest percentage benefit from such a reduction.

While sales taxes are generally considered a regressive form of taxation, exemptions to sales tax, such as groceries and prescription drugs, help mitigate the effects of sales tax on the lowest wage earners, and a local option sales tax follow these exemptions. The local option sales tax will capture revenue from visitors to Maine, particularly in the towns and cities where vacationers rent lodging, enjoy Maine dining, and spend their disposable income.

Portland has a population of 67,000 people. During the workday, the estimate of people in the city rises to 97,000. Tourism brings approximately 5.4 million people to Portland each year, an average of an additional 15,000 people every day. All of these additional people use city services in one way or another, and it currently is up to the City of Portland taxpayer to maintain these services and city infrastructure. The ability for Portland to have a local option sales tax will help shift some of that burden away from the property tax payer.

If state government allowed municipalities the option of creating a local option sales tax, a 1% local option sales tax will benefit local governments statewide. It is estimated that Portland will raise approximately \$16.8 million per year, Presque Isle will raise \$2.6 million, Gorham will raise \$1.1 million, Bangor will raise \$13.7 million, Auburn will raise \$7.6 million, Kennebunk will raise \$1.6 million, Augusta will raise \$8.3 million, and Lewiston will raise \$3.7 million.

Currently, Maine is one of only twelve states nationwide that do not allow for a local option sales tax. Further, the Maine statewide general sales tax of 5.5% is the fifth lowest sales tax rate in the United States. The capacity is available to allow a 1% local option sales tax.

I, and the other municipal leaders gathered here today urge you pass a local option sales tax program.

Thank you for your consideration to this matter.