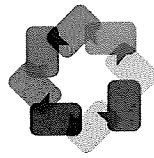


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May 9, 2023

Senator Nicole Grohoski, Chair  
Representative Joseph Perry, Chair  
Members of the Taxation Committee

**RE: Testimony in SUPPORT of LD 1747, An Act to Return the Sales Tax Rate to 5 Percent**

Dear Senator Grohoski, Representative Perry, and members of the Taxation Committee:

My name is Curtis Picard and I am the President and CEO of the Retail Association of Maine. I am a resident of Topsham. The Maine Grocers & Food Producers Association and the Retail Association of Maine are jointly in support of LD 1747. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise retailers, and convenience stores, distributors and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers.

LD 1747 proposes reducing Maine's state-wide sales tax from 5.5% to 5%. Maine's state-level tax revenues are primarily generated by sales, income and corporate taxes. We have been around long enough to see a multitude of tax proposals to raise, lower and shift taxes, and we know these decisions depend on a variety of factors, including the state's overall economic outlook, revenue projections and political priorities. In this case, Maine's economic outlook, and revenue projections remain strong, and there seems to be revenue available to return to tax payers. If the political priorities of the state are such that revenue is going to be returned, one of the most equitable ways to do that is by lowering the sales tax. Sales taxes are regressive taxes and impact lower income households, who spend a larger percentage of their income on goods and services subject to the tax. Lowering the sales tax could therefore help to alleviate some of the burden on these households, making it easier for them to make ends meet.

It is probably helpful to know the history of Maine's sales tax.

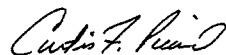
- Maine's sales tax was first enacted in 1951. At the time, the tax rate was set at 2%, and it was applied to a limited number of goods, such as cigarettes and gasoline. Over time, the sales tax was expanded to cover a broader range of goods and services, and the tax rate has been increased several times.
- In 1969, the sales tax rate was raised to 3%, and in 1973 it was increased again to 4%.
- In 1989, the sales tax rate was raised to 5%.
- The early 1990's included a general rate increase from 5% to 6%. At the time of the increase in the general rate in fiscal year 1992, an automatic trigger provision was added that would reduce the tax rate by 0.5% if revenue growth on a base-to-base comparison exceeded 8%. That provision was triggered based on the base-to-base performance of fiscal year 1998 revenue, effective October 1, 1998.
- The trigger mechanism was repealed during the next session when the rate was reduced back to 5% where it remained until 2013.
- In 2013, the sales tax rate was \*temporarily\* increased to 5.5% as part of a budget-balancing measure, and this increase was made permanent in 2015. In other words, the automatic \*sunset\* of the 5.5% rate was repealed

by the legislature breaking the promise made to Maine people. In essence, LD 1747 makes good on the promise to return the sales tax to 5%.

Lowering the sales tax could also make Maine more attractive to businesses and tourists, who may be drawn to the state's lower tax environment. As we have stated many times before, Maine is the only state that borders only one other state, and that state happens to be New Hampshire which has no sales tax. Although LD 1747 would not eliminate the sales tax, it would make us more competitive and help keep dollars that are spent in New Hampshire here in Maine.

We urge your support of LD 1747.

Thank you for the consideration of our comments.



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