



129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 1110

H.P. 814

House of Representatives, March 5, 2019

An Act To Establish a Local Option for Sales Tax

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative GRAMLICH of Old Orchard Beach.
Cosponsored by Representative PIERCE of Falmouth, Senator CHIPMAN of Cumberland and
Representatives: BRENNAN of Portland, COLLINGS of Portland, DENK of Kennebunk,
MORALES of South Portland, SYLVESTER of Portland, Senators: CHENETTE of York,
SANBORN, H. of Cumberland.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §1819** is enacted to read:

3 **§1819. Municipal local option sales tax**

4 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
5 following terms have the following meanings.

6 A. "Local option sales tax" means a sales tax imposed under this section.

7 B. "Participating municipality" means a municipality that has imposed a local option
8 sales tax pursuant to this section.

9 C. "Sales tax base" means those items subject to sales taxation under this Part,
10 including:

11 (1) Tangible personal property, products transferred electronically and taxable
12 services sold at retail in this State;

13 (2) Liquor sold in licensed establishments as defined in Title 28-A, section 2,
14 subsection 15, in accordance with Title 28-A, chapter 43;

15 (3) Rental of living quarters in any hotel, rooming house or tourist or trailer
16 camp;

17 (4) The rental for a period of less than one year of an automobile, of a pickup
18 truck or van with a gross vehicle weight of less than 26,000 pounds rented from a
19 person primarily engaged in the business of renting automobiles or of a loaner
20 vehicle that is provided other than to a motor vehicle dealer's service customers
21 pursuant to a manufacturer's or dealer's warranty; and

22 (5) Prepared food.

23 D. "Single transaction limitation" means a dollar limit that a participating
24 municipality places on the amount of tax the municipality collects from a single
25 transaction subject to the local option sales tax.

26 **2. Authorization to impose local option sales tax.** A municipality by referendum
27 conducted pursuant to subsection 8 may impose a local option sales tax on those items
28 that are part of the sales tax base. A participating municipality may not alter the range of
29 items subject to sales taxation under this Part but may limit the application of the local
30 option sales tax to one or more of the categories of taxable items specified in subsection
31 1, paragraph C, subparagraphs (1) to (5). A participating municipality may adopt a single
32 transaction limitation, but in no case may the single transaction limitation exceed \$100.

33 **3. Notify State Tax Assessor.** A participating municipality shall notify the assessor
34 at least 90 days before the local option sales tax is effective.

35 **4. Administration.** A retailer in a participating municipality shall transfer the
36 revenue from a local option sales tax at the time and in the manner provided in section
37 1951-A for the transfer of state sales tax revenue. The tax is subject to the same

1 enforcement provisions, interest, penalties and administrative actions as other taxes
2 assessed under this Part.

3 **5. Distribution of revenue.** Each month, the assessor shall identify the amount of
4 revenue attributable to each participating municipality under this section, subtract the
5 costs of administering this section and certify the net amount for that municipality to the
6 Treasurer of State. The Treasurer of State shall make monthly payments to municipal
7 treasurers of the net amounts certified by the assessor under this subsection.

8 For purposes of this subsection, "costs of administering this section" means the lesser of
9 the actual cost to the assessor of administering this section and 2% of the total revenue
10 generated by a local option sales tax.

11 **6. Use of revenue by participating municipality.** A participating municipality that
12 receives funds pursuant to subsection 5 shall use those funds for the purposes described in
13 the referendum approved under subsection 8.

14 **7. Effect on revenue sharing and other state aid programs.** Revenue received
15 pursuant to subsection 4 may not be considered to be receipts from the taxes imposed
16 under this Part for the purpose of transfers to the Local Government Fund under Title
17 30-A, section 5681. Revenue received pursuant to subsection 4 may not be used to reduce
18 or eliminate any funding otherwise due the participating municipality under any provision
19 of law providing aid to the participating municipality, including, but not limited to, aid
20 for schools, roads, public assistance or jails.

21 **8. Referendum.** The question of whether to impose a local option sales tax must be
22 submitted to the legal voters of a municipality that seeks to impose the local option sales
23 tax. The referendum question must indicate the rate of the local option sales tax and the
24 categories of taxable items the local option sales tax will apply to and identify the
25 purposes for which the revenue will be used.

26 The petition process and voting must be held and conducted in accordance with Title
27 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the
28 provisions of Title 30-A, section 2528. The voting at elections must be held and
29 conducted in accordance with Title 21-A.

30 The municipal clerk shall make a return of the results, certify the results and send them to
31 the Secretary of State. The Secretary of State shall forward the results to the assessor.

32 The local option sales tax may be discontinued by referendum conducted in the same
33 manner as the referendum adopting the tax under this subsection.

34 **9. Effective date of tax; acceptance by voters.** A local option sales tax authorized
35 by this section takes effect 120 days after the municipal referendum vote under
36 subsection 8 if it is accepted by a majority of the legal voters voting at the election and
37 the total number of votes cast equals or exceeds 20% of the total number of votes cast in
38 that municipality in the most recent gubernatorial election.

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SUMMARY

This bill allows a municipality to impose a local option sales tax if approved by referendum of the voters in that municipality. The referendum question must identify the rate of the local option sales tax, the categories of taxable items the local option sales tax will apply to and the purposes for which the revenue will be used. The local option sales tax would be collected and administered by the State in the same manner as the sales and use tax. Revenue from the local option sales tax is distributed to the municipality imposing the local option sales tax. Revenue received by a municipality may not be used to reduce or eliminate funding otherwise due the municipality under other provisions of law.