



STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
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May 9, 2023

**Testimony in Support of L.D. 1747**  
**“An Act to Return the Sales Tax Rate to 5 Percent”**

Senator Grohoski, Representative Perry, and Distinguished members of the Committee on Taxation, my name is Amy Arata and I represent House District 104 which includes New Gloucester and part of Gray.

Sales taxes are among the most regressive of taxes. In fact, the IRS has a discussion explaining how sales taxes disproportionately impact the poor on their “understanding taxes” website for students.

When the tax rate was increased from 5% to 5.5% as a part of a budget compromise in 2013, a promise was made to return it back to 5% in two years. I have included the language of part M of the approved budget bill from 2013 as well as some news coverage. As the article by Steve Mistler states, there was a lot of budget drama at that time, and unfortunately, the budget made it cost more to buy goods. The letter to the editor in 2015 reminds us that businesses were told that the sales tax would go back to 5% after June 30, 2015. I am offering this bill because I believe that the government should keep its promise. With excess revenues and high inflation, the time is right for tax relief. Maine is frequently ranked as having among the highest tax burdens in the nation, and we can do better.

This bill would decrease the sales tax rate from 5.5% to 5.25% beginning October 1, 2023, and further decrease the rate to 5% beginning July 1, 2024. This bill would not change the rate of the sales tax imposed on prepared food, rentals of lodging, rental vehicles, liquor, the service provider tax, or any other taxes. The bill language lists these other taxes although they are unchanged, and I hope this doesn't cause confusion as you read the bill.

The intent of the gradual step-down in rates was to make it easier for the state budget to absorb the expense. However, in light of the concerns raised by the Department of Administrative and Financial Services regarding implementation by MRS, I am happy to propose an amendment to implement the full sales tax reduction to 5% effective January 1, 2024.

A small sales tax cut isn't going to make a big splash in the newspaper or guarantee anybody's re-election. It's not exciting, but it's a step in the right direction. It's a good opportunity for compromise between the parties. This tax reduction will help those with low incomes the most, especially in light of high inflation and rising prices. I urge you to fulfill the promise that was made in 2013 and pass LD 1747 as amended.

Respectfully,

Amy Arata  
State Representative

**Budget drama done, it's time for details; Mainers will get some relief on property and income taxes, but also face a higher sales tax. - Correction Appended**

Portland Press Herald (Maine)

June 27, 2013 Thursday

Final Edition

**Correction Appended**

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**Section:** FRONT; Pg. A7

**Length:** 629 words

**Byline:** STEVE MISTLER State House Bureau --

**Dateline:** AUGUSTA

**Body**

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The Legislature's passage Wednesday of a \$6.3 billion budget for the two years starting July 1 ended the politics of the budget.

Up next: the impact.

The budget includes a temporary increase in the sales tax and the meals-and-lodging tax, so it will affect residents and nonresidents. It may also lead to higher property taxes in communities around the state.

In exchange, many Mainers will see reduced income taxes. About 70,000 will have no income tax liability at all.

The reduction stems from Republicans' resistance to rolling back significant income tax cuts that were passed in 2011 - and paid for in the budget that passed Wednesday.

Democrats and Republicans offset the tax cuts with other initiatives. One increases the sales tax from 5 percent to 5.5 percent for two years. The increase is projected to produce \$146 million in state revenue.

It also means it will cost more to buy goods. And some sales-tax exemptions will disappear.

Newspapers and other periodicals will lose a sales-tax exemption, worth \$5.9 million over the biennium.

The budget calls for a commission to study the state's sales-tax exemptions and find \$40 million in savings.

Dining out or staying in a hotel or lodge in Maine will cost more. The budget includes an increase in the meals-and-lodging tax for the next two years, from 7 percent to 8 percent.

While the 2011 income tax cuts will remain, wealthy Mainers will encounter limits on deductions. The budget limits deductions, to generate \$65 million in state revenue.

The budget reduces revenue sharing to Maine cities and towns by \$75 million. Gov. Paul LePage proposed cutting \$200 million but the Legislature restored \$125 million of that. The reduction still will force property-tax increases or service reductions in many Maine communities.

## **5.5 percent sales tax was supposed to be temporary**

Kennebec Journal (Augusta, Maine)

March 15, 2015 Sunday

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**Section:** Pg. 1.A; ISSN: 0745-2039

**Length:** 260 words

### **Body**

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#### **ABSTRACT**

Between the state and government, all business owners are expected to collect the sales tax, state withholding, federal withholding, child support, etc., all with no remuneration to the business owner in any way.

#### **FULL TEXT**

I recently saw in the newspaper an article about the state sales tax being considered for an increase from 5.5 percent to 6.5 percent.

I have a letter that the state sent to all businesses, dated Sept. 1, 2013, that says effective Oct. 30, 2013, the sales tax would increase "temporarily" from 5.0 percent to 5.5 percent. That increase would be in effect until June 30, 2015, at which time it would go back to 5.0 percent.

What happened? Doesn't anyone from the state remember that letter?

It is hard enough doing business in Maine, where it seems that the state manages to come up with many taxes to load on to the business owners. No wonder so many businesses, large and small, give up and move to a more friendly business state.

Between the state and government, all business owners are expected to collect the sales tax, state withholding, federal withholding, child support, etc., all with no remuneration to the business owner in any way. But if we file our return one day late, the state or the government is right there to charge us a penalty with interest for being late.

The same article about the tax increase stated that all auto repairs would remain taxed at the new rate of 6.5 percent. That is incorrect. Tax is paid only on the parts used in a repair. The labor is not taxed.

Credit:

#### **ILLUSTRATION**

Dominick Rinaldi Sr.

Skowhegan

**Load-Date:** March 16, 2015

5.5 percent sales tax was supposed to be temporary

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PART M

This Part increases the tax on sales of prepared food, lodging and liquor sold in bars and restaurants and similar licensed establishments to 8% and the general sales tax to 5.5% from October 1, 2013 to June 30, 2015. The amount transferred to the Tourism Marketing Promotion Fund during this period is 5% of the 8% tax.

**PART N**

This Part provides that the sales tax applies to the sale of products transferred electronically in this State if the product would be subject to the sales tax if sold in a nondigital physical form.

**PART O**

This Part does the following.

1. It removes the provision for funding from the Maine Budget Stabilization Fund certain payments for adjustments to state valuation for sudden and severe disruption of municipal valuation.

2. It specifies the date by which a claim for adjustment must be filed.

3. It amends the provision setting out what constitutes a sudden and severe disruption. It clarifies and specifies the procedure for a municipality's filing of a claim and the review and determination of that claim by the State Tax Assessor. It provides that obsolescence remains as a qualifying cause of sudden and severe disruption in municipal valuation if it is functional or economic obsolescence not due to short-term market volatility. It clarifies that relief is available when the cause of the loss was not reasonably determinable until the prior tax year.

4. It provides the procedure for filing a petition for relief. It clarifies what information must be included in the appraisal report and specifies that the report must be prepared by a qualified professional appraiser meeting specified requirements. It also expressly allows the State Tax Assessor to ask for and obtain the previous 3 years' worth of assessing records with respect to the property subject to the sudden and severe adjustment request to further verify the adequacy of the application.

5. It requires the State Tax Assessor to issue a written decision approving or denying a municipality's requested relief including the findings of fact that are the basis of the decision. It provides that a denial of a claim for adjustment is the final agency action subject to review in Superior Court. It requires the State Tax Assessor to provide a copy of the denial letter to the joint standing committee of the Legislature having jurisdiction over taxation matters.

6. It requires the Commissioner of Education and the Treasurer of State to apply adjustments for sudden and severe disruption to the following fiscal year for purposes of calculating educational funding obligations and municipal revenue sharing.

7. It requires a taxpayer seeking a business equipment tax exemption and owning property exceeding 2% of the total valuation of the municipality to provide annually to the municipality income and expense information that is sufficient for the assessor to