



125th MAINE LEGISLATURE

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Legislative Document

No. 826

H.P. 622

House of Representatives, March 3, 2011

An Act To Permit a Local Option Sales Tax

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading 'Heather J.R. Priest'.

HEATHER J.R. PRIEST
Clerk

Presented by Representative DILL of Cape Elizabeth.
Cosponsored by Senator BLISS of Cumberland and
Representatives: BERRY of Bowdoinham, FLEMINGS of Bar Harbor, MORRISON of South
Portland, VOLK of Scarborough.

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

2 **Sec. 1. 36 MRSA §1817** is enacted to read:

3 **§1817. 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. "Participating municipality" means a municipality that has imposed a local option
7 sales tax pursuant to this section.

8 B. "Sales tax base" means those items subject to sales taxation under this Part.

9 C. "Single transaction limitation" means a dollar limit that a municipality imposing a
10 local option sales tax pursuant to this section may place on the amount of tax the
11 municipality collects from a single transaction subject to the local option sales tax.

12 **2. Authorization to impose local option sales tax.** A municipality by referendum
13 conducted pursuant to subsection 9 may impose a local option sales tax of no more than
14 3% on those items that are part of the sales tax base. A municipality that adopts a local
15 option sales tax pursuant to this section may not alter the range of items subject to sales
16 taxation under this Part. A municipality that adopts a local option sales tax also may
17 adopt a single transaction limitation. The single transaction limitation may not exceed
18 \$100.

19 **3. Notify State Tax Assessor.** A municipality that imposes a local option sales tax
20 under subsection 2 shall notify the State Tax Assessor at least 90 days before the local
21 option sales tax is effective.

22 **4. Administration.** Retailers in a participating municipality shall transfer the
23 revenue from the local option sales tax at the time and in the manner provided in section
24 1951-A for the transfer of state sales tax revenue. The tax is subject to the same
25 enforcement provisions, interest, penalties and administrative actions as other taxes
26 assessed under this Part.

27 **5. Distribution of revenue.** Each month, the State Tax Assessor shall identify the
28 amount of revenue attributable to each participating municipality under this section,
29 subtract the costs of administering this section and certify the net amount due each
30 participating municipality to the Treasurer of State.

31 Of the net amount certified under this subsection, the Treasurer of State shall make
32 monthly payments as follows:

33 A. To the participating municipality, 50% of the net amount;

34 B. To the county in which that participating municipality is located, 25% of the net
35 amount; and

36 C. To the General Fund, 25% of the net amount.

1 For purposes of this subsection, "costs of administering this section" means the lesser of
2 the actual cost to the assessor of administering this section and 2% of the total revenue
3 generated by local option sales taxes.

4 **6. Use of revenue by participating municipality for homestead tax relief and**
5 **property tax relief.** Each participating municipality that receives funds pursuant to
6 subsection 5, paragraph A shall manage those funds as prescribed in this subsection.

7 A. Each participating municipality shall deposit the revenue received pursuant to
8 subsection 5, paragraph A in a segregated account. The participating municipality
9 shall use the funds in the segregated account to:

10 (1) Fund a municipal property tax assistance program established within the
11 participating municipality pursuant to chapter 907-A;

12 (2) Fund that portion of the participating municipality's approved homestead
13 exemptions under chapter 105, subchapter 4-B not recovered from the State
14 pursuant to section 685, subsection 2; or

15 (3) Stabilize or lower the projected property tax rate of the participating
16 municipality.

17 B. A participating municipality shall determine its annual budget and assessment
18 without consideration of the amount received pursuant to subsection 5, paragraph A.
19 Revenue generated pursuant to subsection 5, paragraph A may not be used to
20 supplant local funds.

21 **7. Use of revenue by county for property tax relief.** Each county that receives
22 revenue pursuant to subsection 5, paragraph B shall deposit that revenue received in a
23 segregated account. The county shall use the funds in the segregated account to stabilize
24 or lower the annual assessment for county taxes imposed pursuant to Title 30-A, section
25 701. A county shall determine its annual budget and assessment without consideration of
26 the amount received pursuant to subsection 5, paragraph B. Revenue generated pursuant
27 to subsection 5, paragraph B may not be used to supplant other funds.

28 **8. Effect on revenue sharing and other state aid programs.** Revenue received
29 pursuant to subsection 5 may not be considered to be receipts from the taxes imposed
30 under this Part for the purpose of transfers to the Local Government Fund under Title
31 30-A, section 5681. Revenue received pursuant to subsection 5 may not be used to
32 reduce or eliminate any funding otherwise due the county or participating municipality
33 under any provision of law providing aid to the county or participating municipality,
34 including, but not limited to, aid for schools, roads, public assistance or jails.

35 **9. Referendum.** The question of whether to impose a local option sales tax must be
36 submitted to the legal voters of a municipality that seeks to impose the local option sales
37 tax.

38 The petition process and voting must be held and conducted in accordance with Title
39 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the
40 provisions of Title 30-A, section 2528. The voting at elections must be held and
41 conducted in accordance with Title 21-A.

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

3 The local option sales tax may be discontinued by referendum conducted in the same
4 manner as the referendum adopting the tax under this section.

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

10

SUMMARY

11 This bill allows a municipality to impose a local option sales tax of 3% or less by
12 local referendum. Revenue from the local option sales tax is distributed as follows: 50%
13 to the municipality, 25% to the county in which the municipality is located and 25% to
14 the General Fund. The revenue received by the municipality and county must be used to
15 reduce the property tax, either through specific programs, such as by funding a municipal
16 property tax assistance program or funding the portion of the homestead property tax
17 exemptions not funded by the State or generally stabilizing or lowering the projected
18 property tax rate of the municipality or the county tax assessment.