



128th MAINE LEGISLATURE

FIRST REGULAR SESSION-2017

Legislative Document

No. 1522

H.P. 1046

House of Representatives, April 25, 2017

An Act To Authorize a Local Option 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 SYLVESTER of Portland.
Cosponsored by Senator LIBBY of Androscoggin and
Representatives: ACKLEY of Monmouth, CASÁS of Rockport, HUBBELL of Bar Harbor,
MADIGAN of Rumford, RYKERSON of Kittery, TERRY of Gorham, WARREN of
Hallowell, Senator: CHIPMAN of Cumberland.

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

2 **Sec. 1. 36 MRSA §1818** is enacted to read:

3 **§1818. 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 D. "Single transaction limitation" means a dollar limit that a municipality imposing a
11 local option sales tax pursuant to this section may place on the amount of tax the
12 municipality collects from a single transaction subject to the local option sales tax.

13 **2. Authorization to impose local option sales tax.** A municipality by referendum
14 conducted pursuant to subsection 8 may impose a local option sales tax on those items
15 that are part of the sales tax base. A municipality that adopts a local option sales tax may
16 not alter the range of items subject to sales taxation under this Part. A municipality that
17 adopts a local option sales tax also may adopt a single transaction limitation, but in no
18 case may the single transaction limitation exceed \$100.

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

22 **4. Administration.** Retailers in a participating municipality shall transfer the
23 revenue from a 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 for that
30 municipality to the Treasurer of State for distribution pursuant to this subsection. From
31 the net amount certified for a municipality under this subsection, the Treasurer of State
32 shall make monthly payments as follows:

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

34 B. To the Local Government Fund established in Title 30-A, section 5681, 25% of
35 the net amount; and

36 C. To the Regional Economic Development Revolving Loan Program established in
37 Title 10, section 1026-M, subsection 1, 25% of the net amount to be distributed

1 equally among the counties to provide microloans, entrepreneurial training and
2 funding for cooperative employee ventures.

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

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

9 **7. Effect on revenue sharing and other state aid programs.** Revenue received
10 pursuant to subsection 5 may not be considered to be receipts from the taxes imposed
11 under this Part for the purpose of transfers to the Local Government Fund under Title
12 30-A, section 5681. Revenue received pursuant to subsection 5 may not be used to reduce
13 or eliminate any funding otherwise due the participating municipality under any provision
14 of law providing aid to the participating municipality, including, but not limited to, aid
15 for schools, roads, public assistance or jails.

16 **8. Referendum.** The question of whether to impose a local option sales tax must be
17 submitted to the legal voters of a municipality that seeks to impose the local option sales
18 tax. The referendum question must indicate the rate of the local option sales tax and
19 identify the purposes for which the revenue will be used.

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

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

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

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

33 **SUMMARY**

34 This bill allows a municipality to impose a local option sales tax if approved by
35 referendum of the voters in that municipality. The referendum question must identify the
36 rate of the local option sales tax and the purposes for which the revenue will be used. The
37 local option sales tax would be collected and administered by the State in the same
38 manner as the sales and use tax. Revenue from the local option sales tax is distributed
39 50% to the municipality, 25% to the Local Government Fund for state-municipal revenue
40 sharing throughout the State and 25% to the Regional Economic Development Revolving

1 Loan Program for regional economic development. Revenue received by a municipality
2 may not be used to reduce or eliminate funding otherwise due the municipality under
3 other provisions of law.