

## OFFICE OF FISCAL AND PROGRAM REVIEW

Date: April 8, 2013  
To: Members, Joint Standing Committee on Taxation  
From: Elizabeth Cooper, Legislative Analyst

### **LD 401, An Act To Provide Local Sales Tax Increment Disbursements**

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**Summary:** This bill requires payments beginning in fiscal year 2016-17 to municipalities of an amount equal to 5% of the difference between the sales and use tax attributable to the municipality in a fiscal year and the comparable amounts for fiscal year 2015-16, referred to as the "local sales tax increment." If the amount of sales and use tax collected in a fiscal year in a municipality is below that collected in fiscal year 2015-16, then the municipality receives no payment. The amount received may not reduce any other state aid or revenue sharing received by that municipality, and the municipality must use the amount received to reduce property taxes by the same amount. The Unorganized Territory Education and Services Fund receives the same payment as municipalities and is subject to the same requirement to use the revenue to reduce property taxes.

#### **Public Hearing**

##### Proponents

- The sponsor presented the bill and provided written testimony.
- Testimony in support of the bill was provided by a municipal official from Bangor and another municipal official submitted written testimony.
- *Major points:* bill offered in lieu of local option sales tax; will help municipalities support services related to economic growth.

##### Opposed

- Maine Municipal Association testified in opposition to the bill.
- *Major points:* uneven benefit; focus is to restore municipal revenue sharing.

NFNA - None

**Amendments suggested:** The sponsor suggested an amendment that would reset the base every 4<sup>th</sup> year; a proponent of the bill suggested the increment to the municipalities was too low and should be increased.

**Fiscal Information:** The preliminary fiscal impact statement was not available at the time this analysis sheet was finalized. The most current fiscal information can be found online at: [www.mainelegislature.org/LawMakerWeb/search.asp](http://www.mainelegislature.org/LawMakerWeb/search.asp).