



CITY OF BANGOR

Testimony of Joe Perry,  
Former City Councilor, City of Bangor

Before the Joint Standing Committee on Taxation  
In Support of a Local Option Sales Tax  
March 27, 2019

Senator Chipman, Representative Tipping, and members of the Joint Standing Committee on Taxation, my name is Joe Perry and I am here today on behalf of the City of Bangor. The City Council discussed the local option sales tax earlier this week and is supportive of the state making a local option sales tax available to Maine municipalities. There are many reasons why a local option tax is a necessary.

First, Maine's tax structure provides municipalities with few revenue options other than the property tax. As a result, property taxes are too high in many Maine communities. This is especially a burden for service center communities like Bangor. We see our populations explode during the day and must provide services to support all of that activity. Currently, we have no option but the property tax, which means local residents, must absorb a significant amount of the cost for road maintenance and police and fire protection for those who only work in Bangor. Maine has a state policy designed to assist municipalities with those costs – state/municipal revenue sharing. Unfortunately, revenue sharing has not worked as designed for more than a decade and is currently only at 40% of what it should be. The modest improvement in the budget to 50% will help, but still leaves an unfair burden on municipalities and its property tax payers.

A local option sales tax will give communities a tool to fund essential services without increasing the burden on the property tax. Such a program could allow municipalities to choose what taxes they will impose at the local level, as long as they are items already taxed by the state. Each municipality can determine the appropriate range of items to include in a local option tax, all subject to a 1% limit on the local option tax. I am mindful that this tax should impose as little administrative burden on businesses as possible and I think the proposals in front of you do that.

Some may say the sky is falling, that a local option tax will impose huge burdens on their businesses or drive away commerce. Those fears are simply not borne out in the 38 states with an existing local option sales tax. Recently, I made a trip to Orlando where a local food and lodging tax were imposed. None of the taxes imposed seemed to dampen tourism or convention travel to Orlando. There is, I hear, a fair amount of

tourism in Las Vegas and several other cities in Nevada, where tourism and convention travel thrive.

The local option tax will allow Maine communities, like Bangor, who have a lot of retail outlets serving residents from out of state to export some of our local tax burden. It's also worth noting that taking this action will keep Maine in the middle of states in terms of the sales tax. Our current state rate of 5.5% is 29<sup>th</sup> out of the 50 states. If we allow a 1% local option sales tax the combined state and local option rate of 6.5% will still be below the national average of 6.89% (Source: Tax Foundation).

Maine state government has not met its full obligation to municipalities for more than a decade. The result has been a combination of cuts to essential services, a lack of necessary infrastructure investment, and property tax increases. Unless the state is prepared to meet its obligations under revenue sharing, municipalities need the local option sales tax to more broadly share the burden of local government.

Thank you for your time and attention. I'd be pleased to take any questions.

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Additional demographic information is provided below for informational purposes only.

**Demographic Comparison of Surrounding Communities**

Town	Mill Rate	Percentage of				Population**
		Taxable Value*	Exempt Property*	Median Income**	Median Home Value**	
Orono	27.00	489,444,900	49.6%	44,427	188,800	10,914
Bangor	22.95	2,577,440,500	34.4%	40,071	150,100	32,237
Old Town	22.86	427,076,200	32.6%	37,799	123,300	7,594
Brewer	22.50	753,614,684	20.4%	56,354	159,900	9,167
Hampden	19.60	648,141,100	16.8%	87,708	206,000	7,314
Glenburn	18.50	307,445,780	8.8%	68,125	151,900	4,575
Veazie	18.15	301,279,100	8.5%	48,438	151,200	1,960
Holden	16.65	285,519,486	8.9%	51,010	183,100	3,069
Eddington	15.60	171,610,140	7.1%	58,421	151,800	2,137
Orrington	13.90	446,322,800	8.9%	57,127	169,600	3,676
Hermon	11.60	552,137,200	17.4%	70,762	206,300	5,789

\* - Source - Municipal Commitment Books (Exempt includes fully exempt, Homestead, Veterans, Blind and BETE)

\*\* - Source - U.S. Census - 2017 Survey and Estimates