Support Local Lodging Tax Flexibility

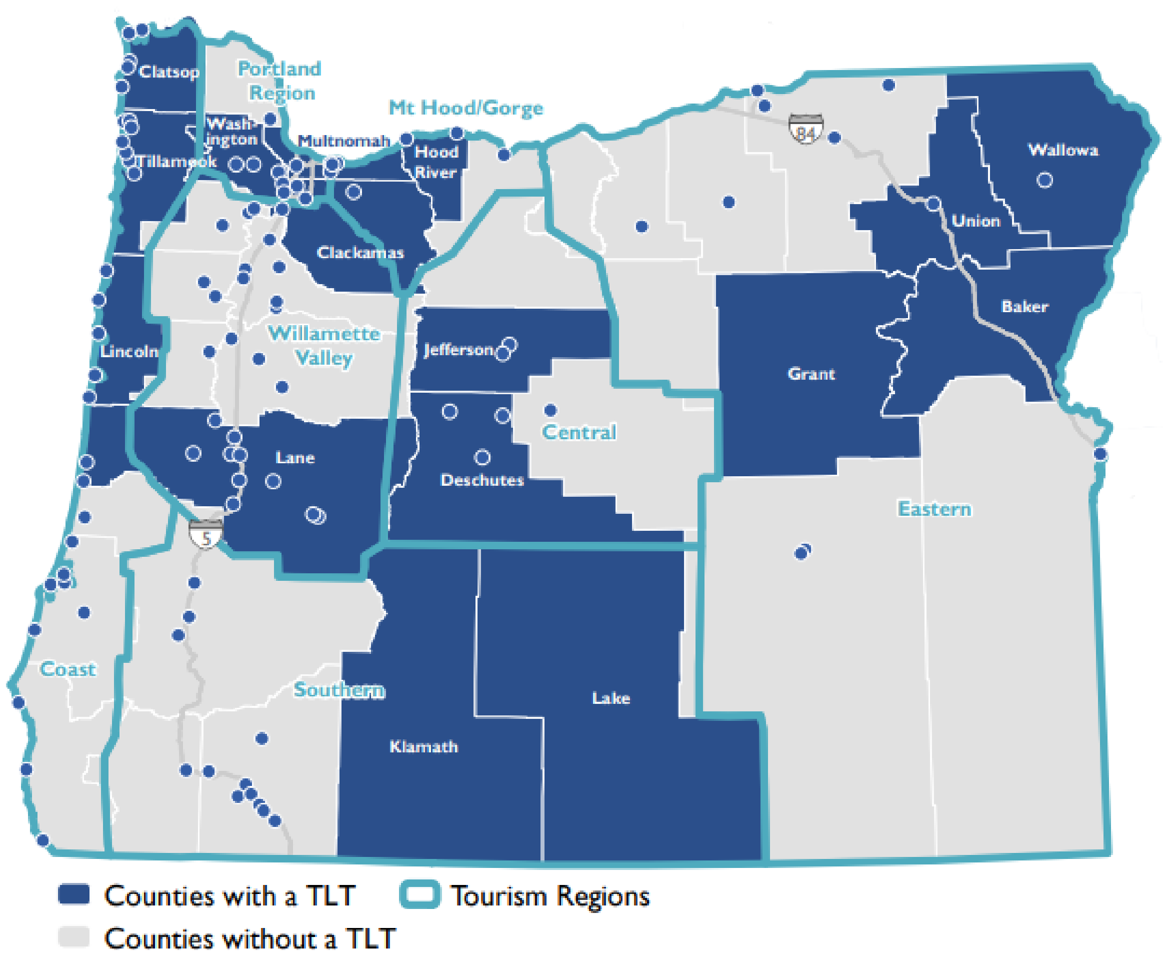
Cities are asking for legislation that will enhance flexibility in how cities use transient lodging tax revenues. The goal is to help cities better serve visitors and improve local conditions that support the tourism industry.

Current Restrictions Hamper Local Efforts

Since the 1940s, many local governments have imposed some form of a transient lodging tax (TLT) on occupied hotel, motel, and inn dwelling units within their jurisdiction. There are currently 104 cities (see blue dots on map below) and 16 counties that levy a local TLT.

In 2003, the Legislature passed the *state* lodging tax, while simultaneously restricting local transient lodging taxes (TLT) by requiring that revenue from any new or increased local lodging tax be spent according to a 70/30 split: 70% of local TLT must be spent on "tourism promotion" or "tourism related facilities" and up to 30% is discretionary funds. Some of the services outside of those definitions that are funded with TLT come from the 30% portion, even if the services directly benefit the tourism industry because the definitions are too limiting. Cities with taxes established prior to 2003 have their original agreements frozen in time and any tax increases after 2003 are subject to the 70/30 split.

Source: ECONorthwest, using data from Dean Runyan Associates.



Note: Cities without a TLT are not delineated on this map.

Additional Flexibility to Support Tourism-Impacted Services

Cities acknowledge and appreciate the economic development benefits that tourism brings to their local economies, and after 20 years of focusing on promoting and building a tourism economy, cities are struggling to provide basic city services impacted by tourism. In order to maintain the communities that tourists know and love, it is time to rethink how to tourism related (transient lodging taxes) revenues balance impacts on communities so that it is mutually beneficial to businesses, tourists, and community members alike. Enhanced flexibility, allowing tourism impacted services to be funded under the 70% limitation would be a gamechanger for cities.

- In a recent LOC survey, cities said increased flexibility would allow them to better fund public safety (police, fire, and EMS), community infrastructure and housing impacted by tourism.

- In a public opinion poll over the summer of 2024, nearly 70% of voters supported changing the law so that instead of being used to drive more tourism, a portion of hotel and motel taxes (local TLT) can be used to help fund vital city services instead, including some of the costs of services tourism uses.

- Based on data from city financial reports, in 2020 there were 69 cities that couldn't cover their public safety expenses with the amount of revenue raised through property taxes. These cities depend on other revenue sources like lodging taxes to keep residents and visitors safe, especially during the peak tourism season.

- Cities on the coast will see their population increase by two to six times during a summer weekend, according to local officials. Community infrastructure needs to be built to handle peak tourism traffic, and with more wear and tear, cities are facing increased maintenance costs.

Contact: Jenna Jones, Tax and Finance Lobbyist, jjones@orcities.org or 971-416-6818