

Local Lodging Tax Flexibility Talking Points

Transient lodging taxes are primarily on hotels, motels and short-term rentals. There are approximately 120 local governments that levy transient lodging tax. In 2003, the state passed a preemption on local transient lodging taxes that established restrictions around how local lodging tax dollars could be spent, requiring at least 70% of new or increased taxes to go toward tourism promotion and tourism-related facilities and reserving the remaining 30% for local discretionary spending. Under current court interpretations, existing definitions of tourism promotion and tourism-related facilities only leave local jurisdictions so much leeway to respond to those strains. Right now, communities bear the burden of maintaining and operating things that directly benefit tourists that are primarily funded by and for community members, like public safety, and community infrastructure. When you have a huge rush of tourists who come over a weekend population double for some communities, roads, trails and parks wear out a lot faster, water systems are strained, and public safety call volumes increase.

HB 3556 creates additional flexibility by adding a third definition to the 70% restricted funds for “tourism-impacted services.” Tourism impacted services include public safety (fire, EMS, and police) and community infrastructure (water, wastewater, transportation, parks, trails and public amenities).

We support HB 3556 because:

- **Voters support it.** A 2024 public opinion poll found that over 70% of voters support changing the law so that a larger portion of local TLT revenue can be used to fund vital city services—helping sustain and enhance tourism by addressing its impacts, rather than disproportionately allocating funds to traditional tourism promotion.
- **It reexamines a longstanding preemption so communities rethink how tourism related (TLT) revenues and balances impacts on communities so that it is mutually beneficial to businesses, tourists, and community members.** Under HB 4146(2016), the state reduced the amount of “tourism promotion” spending from 80% to 65% because they found other ways to support a tourism economy outside of promotion.
- **It will ensure communities remain safe.** Each year, a significant number of visitors across Oregon interact with local law enforcement and the justice system. In Clatsop County, one-third of all jail bookings, arrests, and tickets are non-residents. Tourism also increases demand for local resources to respond to accidents and incidents on highways and recreational sites. In rural areas, volunteer-staffed fire agencies are under substantial strain with their workload, financial capacity, and staffing.
- **More tourists are staying in vacation rentals through Airbnb and VRBO, not hotels and motels, that increase use of community infrastructure in neighborhoods not tourists areas of a community like the downtown core.** Currently, \$633 million annually is needed to address cities’ transportation operations and maintenance deficit and \$5.2 billion for cities’ water needs.
- **Outdoor recreation is critical to Oregon’s tourism economy and trails, campgrounds, boat ramps, parking areas and more—are seeing historic use levels that are outpacing critical maintenance.** According to 2023 Oregon Park and Recreation Provider Survey Report, most park operators have on average \$5 to 9 million in deferred maintenance.