



HB 4146 Let's increase Oregon's transient lodging tax for low income housing or the General Fund

Testimony for House Revenue - Nancy Matela

As a state with extremely low lodging taxes and no sales tax, Oregon is missing out on revenue we should be collecting from vacation and business visitors. Our statewide lodging taxes are amongst the lowest in the nation, just 1%. Most local jurisdictions are not collecting robust lodging taxes. Further, Oregon's 1% and much of local lodging tax revenue is dedicated to tourism alone. In fact, there are restrictions in our laws that direct most of the locally collected taxes to tourism.

Eighty-five Oregon cities and 15 counties impose local lodging taxes ranging from 2% to 13.5%. Mostly, these lodging taxes are well below the national average of 13.4%. Logically, without a sales tax, our lodging taxes should be amongst the highest in the nation. Eleven US cities collect lodging taxes of 17% or more, not one of them is an Oregon city.¹

This state of affairs makes no sense. In every sales tax discussion, receiving more revenue from out of state travelers is posed as an advantage. Why aren't we collecting more now? The easiest way is to significantly increase the state's transient lodging tax, we recommend a tax of 6%, and use the increased revenue to provide for the low income workers without whom the industry could not exist. According to Dean Runyon Associations, in 2014 there were 101,000 direct jobs in the tourism industry, with average earnings per employee of \$25,717.² That's barely over half of statewide average annual earnings. **Clearly, many tourism industry employees need public subsidies to survive.**

The tourism industry creates jobs that need public support, yet we're not collecting significant taxes from the tourists generating those low-paying jobs. **The current 1% state lodging tax, and most local lodging taxes support tourism, not citizens. Not a penny goes to education.**

Vacation and business travelers to Oregon get a great deal, while our state and local communities suffer. This is inappropriate for our third largest export industry, which is also one of our lowest paying industries.³

Using the increase to fund low income housing is compelling. With scarce housing available, rents rising, and many houses and apartments are being converted to transient rentals, many of the low income workers are finding themselves without a place to call home.

¹ [updated study by HVS](#), a global lodging industry consulting firm, found the 150 most populous urban centers range from a low of 7 percent (Lancaster, Calif.) to a whopping 17.7 percent (St. Louis, Mo.), with the average being around 13.4 percent, according to the study. Eleven other cities have rates of at least 17 percent: Birmingham and Mobile, Ala.; Omaha, Neb.; Milwaukee, Wis.; Chattanooga and Knoxville, Tenn.; Anaheim and Garden Grove, Calif.; Indianapolis; Houston, and Overland Park, Kan.

² According to Runyon study, Page 13 <http://www.orcities.org/Portals/17/2015TLTFullReport.pdf>

³ <https://www.qualityinfo.org/-/occupational-wages-in-northwest-oregon-in-2014>

Vacation/travel market prices are fairly elastic. It's likely the rare occasion when a vacation or business trip is rejected because of room taxes. However, in case you are curious, you'll find data about transient lodging taxes in neighboring states in our footnotes.⁴ As a state without a sales tax, it is illogical to the extreme that we have such low transient lodging taxes. In a recent list comparing taxes in city travel destinations, Portland rated amongst the cities with the lowest taxes, whether looking just at transient lodging taxes alone or looking at taxes on lodging, auto rentals and food.

Whenever sales taxes are discussed, one of the main points made is that tourists will help support our state's infrastructure. Why are we not collecting from them now?

This bill would be the perfect place to start fixing that problem.

Of the 47 states that collect lodging taxes for the state, Oregon is the lowest at 1%. Other states collect between 2.9% and 15%, with the majority charging between 4 and 9% in state taxes.

OUR RECOMMENDATION:

Use this bill to increase Oregon's state lodging tax to 6%, with 5% dedicated to low income housing or other services generally funded out of the General Fund, and 1% dedicated to tourism.

Many low-income housing units are being displaced by transient housing; it is only right that we increase the tax revenue from transient lodging to help create affordable housing or provide services needed by low income Oregonians. Given the absence of a state sales tax, clearly a modest state transient lodging tax would be an appropriate means for out-of-state visitors to contribute to the state's infrastructure.

We read the bills and follow the money

⁴ Washington state collects 6.5% state sales tax along with local taxes, California doesn't have a statewide tax, but over 400 municipalities charge local lodging taxes ranging from 4% to 15%. Idaho charges both a 6% sales tax and a 2% lodging tax. Only three states don't have an applicable sales or lodging tax collected for the state, but local taxes are collected in all those states. <http://www.ncsl.org/research/fiscal-policy/state-lodging-taxes.aspx>