

# Local Lodging Taxes:

*Restoring More Local Control on Local  
Tax Revenue Usage*



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# Local Lodging Tax...Basic Facts

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- Lodging taxes are a local option & rate is set by city/county
- 2016 report counted 91 of the 241 cities and 16 of the 36 counties with a local lodging tax.
- Tax must be computed on the total retail price of the stay. (ORS 320.350(7))
- Today, local tax rate ranges are 2% to 13.5%. (Most are 6-9%.)
- Cities and counties have imposed lodging taxes since at least 1930s.
- State tax began with 2003 legislation and 2016 legislation raised tax from 1% to 1.8% via HB 4146.

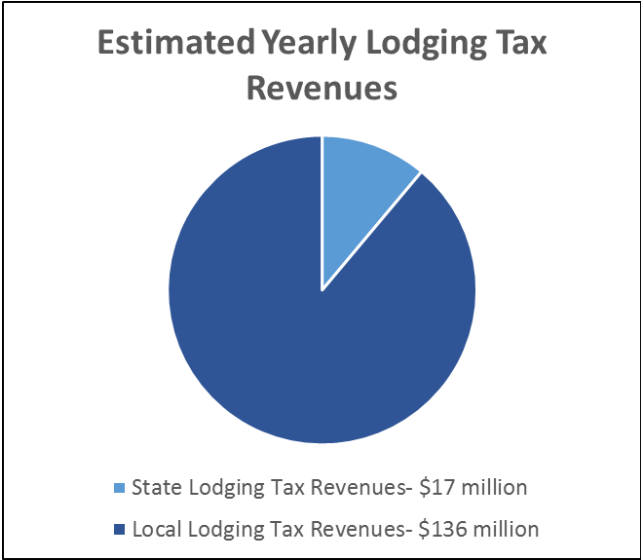
# Local Lodging Tax Revenues

○ In FY 2014, local lodging tax revenue totals were approximately **\$136 million**—cities brought in just over \$87 million



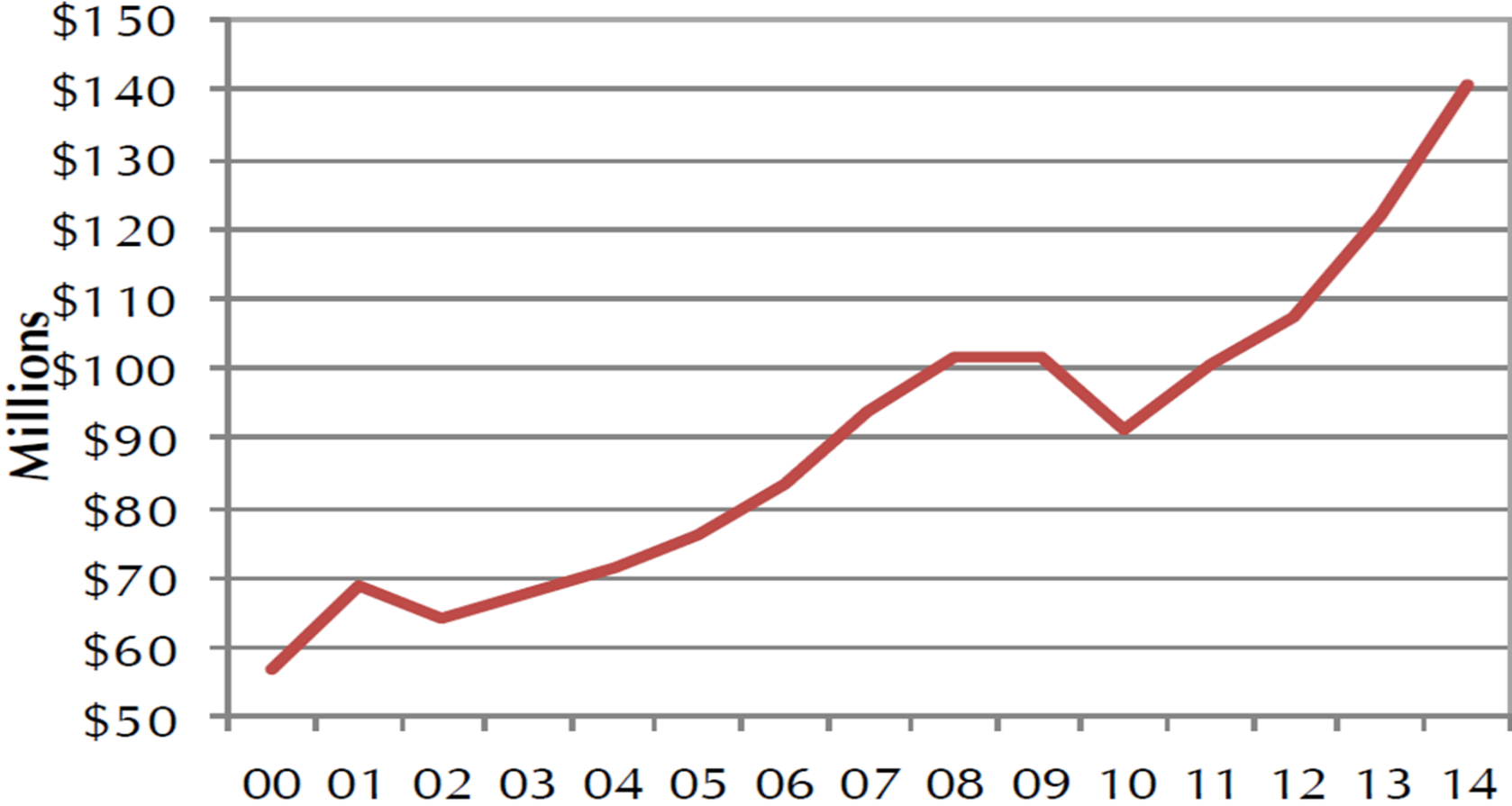
○ Local lodging tax receipts continue to increase around the state. Total receipts increased by 15.2% from FY 2013 to FY 2014 and another 10.1% from FY 2014 to 2015.

-- source 2015 and 2016 Dean Runyan Report



# Oregon Local Lodging Tax Receipts

Fiscal Year ending June 30



# State regulation of local government:

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- Moratorium on use of local transient lodging tax revenues: may not decrease percentage of total TLT revenues that were actually expended or agreed to be expended to fund “tourism promotion” or “tourism-related facilities” as of July 2, 2003. (ORS 320.350)

Frozen at 2003 percentage  
dedicated to tourism!



- Exception: if local government financing debt with TLT revenues on Nov. 26, 2003, must continue to finance debt until retirement of debt.

# State regulation of local government:

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If local government increases lodging tax or imposes a new tax (post-2003):

- 70% of net revenue from the new or increased tax shall be used for: “**tourism promotion**” or “**tourism-related facilities**” or finance/refinance debt of “tourism-related facilities”
- No more than 30% may used to fund **city or county services**

Thus, total percentage of local tax revenues that are restricted to tourism is highly variable around the state. (Need pre and post- 2003 percentages to figure out number.)

These two preemptions on local revenue use occurred with the 2003 legislation.

# 4 Key Definitions (ORS 320.300):

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## #1

(7) “**Tourism promotion** ” means any of the following activities:

- (a) Advertising, publicizing or distributing information for the purpose of attracting and welcoming **tourists**;
- (b) Conducting strategic planning and research necessary to stimulate future **tourism** development;
- (c) Operating tourism promotion agencies; and
- (d) Marketing special events and festivals designed to attract tourists.

# 4 Key Definitions: (ORS 320.300)

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## #2

### (9) “**Tourism-related facility**” means:

- (a) A **conference center, convention center or visitor information center**; and
- (b) Other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting **tourism** or accommodating **tourist** activities.

Many cities and counties don't have a facility as defined by (9)(a)

Subsection (b) is the catch-all for permitted use of revenues in the 70% category. It was intended to provide flexibility to cover roads, sewers, restrooms, etc. associated with tourism support.

Still, it isn't clear or flexible. It has 3 components to qualify: 1) real property; 2) useful life of 10 or more years; and 3) substantial purpose of supporting tourism or accommodating tourist activities. (**See 2008 AG opinion**) (Complex!)



# 4 Key Definitions: (ORS 320.300)

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## #3 & #4

(6) **“Tourism”** means economic activity resulting from tourists.

(10) **“Tourist”** means a person who, for business, pleasure, recreation or participation in events related to the arts, heritage or culture, travels from the community in which that person is a resident to a different community that is separate, distinct from and unrelated to the person’s community of residence, and that trip:

(a) Requires the person to travel more than 50 miles from the community of residence; or


(b) Includes an overnight stay.

# Change NEEDED:

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Local lodging tax revenue restrictions need to be made more flexible to allow more local control— one size doesn't fit all.

Options:

- Eliminate or revise the pre-2003 frozen percentage dedicated back to tourism
- Eliminate or lower the 70/30% revenue split on new/increased taxes
-  ◦ Expand the definitions of “tourism promotion” and/or “tourism-related facility” that apply the 70/30% definitions to make less marketing/ facility focused and still tourism-related
- Goal: continue to invest in tourism and grow tourism sector of economy, but allow local flexibility to address local tourism needs and costs
- Flexibility specifics: permit usage of revenues for transportation, public safety, city planning, events, beautification, and infrastructure that is visitor-industry related

# Cities Want Similar Flexibility As State

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State Lodging Tax (HB 4146) (2016) (Excerpt)

## **SECTION 5.** Amending ORS 284.131

(4) The commission shall spend state transient lodging tax moneys appropriated to the commission under ORS 320.335 as follows:

(a) At least [80] **65** percent must be used to fund state tourism [*marketing*] programs.

**(b) Ten percent must be used for a competitive grant program for projects that further the purpose described in ORS 284.138, which may include tourism-related facilities and tourism-generating events, including sporting events.**

[(b)] **(c)** [*As much as 15*] **Twenty** percent must be used to implement a regional cooperative tourism [*marketing*] program. . . .

# Bills This Morning

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**HB 2744** - Amends definition of “tourism-related facility” to provide flexibility

**HB 2768** – Amends definition of “tourism promotion” to provide flexibility

Top needs: City beautification, public safety for events and tourist activities, transportation costs associated with tourist areas/places

# Property Taxes vs. Lodging Taxes

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City	Revenue from Permanent Rate	Permanent Rate	Revenue from Bonds & Local Option	Revenue from Lodging Taxes
Gearhart	\$474,546	\$1.01	\$644,529 (\$1.37)	\$167,000
Lincoln City	\$6 million	\$4.10	\$1.3 million	\$5 million
Ashland	\$9.9 million	\$4.20	\$516,000	\$2.1 million
Bend	\$26 million	\$2.80	\$3.9 million	\$4.7 million
Hood River	\$2 million	\$2.81	\$527,000	\$1.2 million
Eugene	\$91.2 million	\$7.01	\$14.4 million	\$4 million
Astoria	\$5.5 million	\$8.17	\$0	\$1.3 million

**Revenue resources and expenses vary by community. One size doesn't fit all.**

# Additional Resources on OLIS

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- 2016 Dean Runyan report excerpt detailing all local lodging tax revenues from 2005 to 2015
- 2008 AG opinion explaining meaning of “tourism-related facility” and providing legislative history of 2003 legislation
- State lodging tax background information from DOR
- HB 4146 (2016) which increased state lodging tax, changed distribution of revenues, and provided more flexibility to usage of state tax revenues