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To: House Revenue Committee

Date: May 17, 2017

Re: Support for HB 2064, -1 amendment

The League of Oregon Cities strongly supports the -1 amendment to HB 2064 and asks for your passage of the bill with the amendment. The amendment makes important policy changes to statutes regulating local lodging taxes.

Provides Tax Revenue Usage Flexibility for Responsible Use of Tax Dollars

In 2003, legislation preempted cities and counties by restricting how local lodging taxes can be used. The legislation permitted the restricted revenues to be used in two areas: for “tourism-related facilities” or for “tourism-promotion”. The way these terms are defined and have been interpreted has been unduly restrictive so as to hamper the ability to use the tax revenues for tourism costs. Many communities, especially rural ones, do not have a facility as that term is defined and tourism promotion is presently focused unduly on marketing.

- ❖ The amendment expands tourism-promotion to include costs for “tourism activities, tourism-generating special events, sporting events and festivals designed to encourage tourism or accommodate tourists.” This new authority is similar to how the state lodging tax revenues may be used. See HB 4146 (2016). Faced with budget cuts, some cities and counties will have to say no to existing or new local tourist events without more revenue flexibility.
- ❖ The amendment would also cover costs for “developing or improving the tourist industry by enhancing tourist attractions, tourism-related facilities or tourism-generating special events, including but not limited to, beautification projects and constructing or improving tourist amenities.” Some attractions and amenities are in disrepair or are in need of an upgrade or replacement. Competing with police, housing, and water service expenditures, tourist amenities are often falling on the cut list in cities but the amendment flexibility will help make sure communities can still look good for tourists.
- ❖ The amendment would cover “costs of maintaining tourism-related facilities.” Present law covers tourism-related facilities but costs for maintenance of these facilities is less clear.

In short, many communities are “loved to death” by tourists and are marketed well, but these same communities need to ensure that tourists keep coming and have a good experience when they come. Thus, the above changes will allow tax revenues to be used for the listed narrowly tailored tourist-related costs. The goal is to continue to invest in tourism and grow the tourism sector of the economy while permitting local government flexibility to address local tourism needs and costs.

Ensures All Entities and Tourists Must Pay Lodging Taxes—Evening the Playing Field

Technology changes and the proliferation of the use of third party entities to book rooms for lodging providers over the internet made enforcement of lodging taxes dysfunctional for a time. Thus, in 2013, legislation revised the state and local lodging tax laws to require “**transient lodging intermediaries**” to collect lodging taxes. The intermediary industry has continued to change and so has the home rental industry since then, and thus this bill updates the definitions again to cover the various business models the industry uses. The goal is to cover all the various business models that provide or facilitate lodging at traditional hotels/motels/resorts as well as individual homes. All should be treated the same and be required to collect, file tax returns and pay state and local lodging taxes. The legislative intent to even the playing field and hold all subject to the tax has been clear. The amendment would help make sure revenue is not left on the table.

A few other key points:

1. Oregon is not a one-size fits all state. Each community has its own needs/costs and resources. Those costs and resources can change from year to year. Some cities have nearly doubled their lodging tax revenues since 2003. Property tax issues, tourism growth, timber payment losses, etc. has changed the needs of communities since then too. This bill makes modest adjustments to allow more flexibility while still requiring lodging tax revenues be used for tourism. The amendment does NOT allow for restricted lodging tax revenues to be used generally for public safety. However, if there are public safety-related costs for a tourist event, those costs are intended to be covered if the local government so chooses, just as they will be for the state tax.
2. Local lodging taxes are city and county tax revenues. Many such taxes have been imposed since the 1940s or 1950s with modest tax increases over time. They should not be viewed as revenues that somehow belong to restaurants or hotels or chambers of commerce; rather, this is a user’s tax that belongs to the community.
3. Cities and counties have different restricted percentages of their lodging tax revenues. Those with a pre-2003 tax have a frozen percentage based on facts at that time and those that imposed a tax after 2003 have 70% of their revenues restricted. This is arbitrary and unduly restrictive. However, rather than try to adjust the percentages and its complexities, this bill adjust the definitions to provide more flexibility while continuing to promote tourism.
4. Under Oregon law, city and county budgeting is a very open process as are decisions to impose a tax increase. Changing the law in this bill does not mean that budgeting changes will actually be made in our 91 cities and 16 counties that have a local lodging tax. Rather, there will be public meetings and local decisions regarding how each local tax is used just as there is now.
5. The slippery slope argument made by the industry should not be bought. Before the state preempted cities and counties in 2003, cities and counties were using lodging tax revenues on tourism promotion. They made these expenditures without the state mandating it. Tourism is an important part of Oregon’s economy and both cities and counties must be trusted to utilize the revenues as appropriate. We see this as a partnership. We have tried to work with industry to make revisions and clarifications to the law but have been rejected at each turn as industry refuses to come to the table.
6. Before the 2003 law that imposed the state lodging tax, Oregon was not being marketed much for tourism. In fact, Oregon was near the bottom compared to other states. However, Travel Oregon (the state’s tourism agency) has done an incredible job with the state lodging tax revenues to market tourism throughout the state since 2003. Their return on investment speaks for itself. This bill will keep tourism growing by allowing cities and counties to use the local lodging tax revenues to improve tourists’ experiences as well as continue to market and pay for tourism-related facilities.