

HB 2064 -1, -2, -4 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Mazen Malik, Senior Economist

Meeting Dates: 2/13, 5/18

WHAT THE MEASURE DOES:

Directs LRO to report to interim revenue committee on changes to law recommended by transient lodging tax work group.

ISSUES DISCUSSED:

- Transient Logging Tax work group background, report and recommendations.

EFFECT OF AMENDMENT:

- The "-1" amendment. changes the allowed uses of the Transient lodging tax to tourism related activities and events including beautification projects. Redefines the definition of intermediary. Establishes joint and several liability for the tax delinquency.
- language around the percentage spent on tourism if a local government increases tax after 2003.
- Adding the the costs of maintaining the tourism related facilities.to allowable uses.
- Price definition to include charges and services. It also includes segregation form the travel package.
- Collector is responsible for the local tax collection, and returns must be filed.and payments submitted at the same time.

-1

-2 The "-2" amendment changes the percentage required to be spent from new local tax on tourism related activity from 70% to 50%.

-4 The "-3" amendment Establishes joint and several liability for the tax delinquency. and changes the definition of intermediary.

BACKGROUND:

HB 4146 directed the Legislative Revenue Office to lead an interim work group to study a series of specific travel industry issues. HB 4146 marked the first major change in Oregon's statewide transient lodging tax law since it was created in 2003 with the passage of HB 2267. The major provisions of the bill are:

- An increase in the tax rate from 1% to 1.8% for the period July 1, 2016 to July 1, 2020. On July 1, 2020 the rate goes to 1.5%. The new higher rate is expected to generate an additional \$12.7 million in the 2015-17 biennium and \$27.4 million in the 2017-19 biennium after allowance for collection costs.
- A requirement that 20% of revenue collected from the transient lodging tax be spent implementing the regional cooperative tourism program and 10% be allocated to a competitive grant program to fund tourism-related facilities and events. The bill directs the Tourism Commission to base grant awards on demonstrated return on investment, geographic equity and community support.
- A requirement that the Tourism Commission submit an annual report to the Legislative Fiscal Office that identifies funds received by the commission and awards and commitments authorized by the commission.
- Directs Legislative Revenue Office to lead a work group to examine a series of issues that arose during the 2016 Legislative session. These specific issues are identified in this report along with specific responses to each based on

HB 2064 -1, -2, -4 STAFF MEASURE SUMMARY

work group deliberations. The work group is directed to submit a report to the Legislature no later than December 9, 2016.

The workgroup major findings were:

- The current distribution structure as modified by HB 4146 provides an adequate framework for allocating tourism related dollars. No additional statutory changes are recommended at this time. The additional revenue generated by the rate increase will allow for additional staff and programming at the regional level to effectively manage and promote tourism activity through the state. Work group members emphasized the need to maintain flexibility in spending at the regional level in recognition of the diverse tourism assets around the state. The work group also acknowledged that the changes spelled out in HB 4146 were still in the process of drawing guidelines before the implementation phase. The workgroup encourages more communication and consultation between the different entities.
- The work group identified the 2014 Oregon Supreme Court decision (Bagley v. Mount Bachelor) regarding recreational activity liability releases as a significant risk to the recreational tourism industry. The decision raises the possibility of significant insurance premium and litigation cost increases for the industry. The work group is concerned about the consequences of the court decision and recommends that the Legislature consider legislation that addresses the issue in the 2017 session.
- The work group recognized that structural changes within the lodging industry, such as the involvement of intermediaries and vacation/home rentals, can complicate the ability of state and local governments to ensure compliance with the transient lodging tax laws. To improve the information available to both state and local governments, the work group recommends that the Department of Revenue be granted statutory authority to enter into information sharing agreements with local governments concerning transient lodging taxpayers.
- The work group is supportive of the Tourism Commission's efforts to provide a predictable distribution system for state transient lodging tax revenue. The two payment process based on prior year collections adopted by the commission ensures accuracy and predictability for regional recipients. The work group was also supportive of regular reporting by the Tourism Commission to legislative committees.

for a full copy of the report go to :

<https://www.oregonlegislature.gov/lro/Documents/HB%204146%20Work%20Group%20Report.pdf>