



May 8, 2025

TO: Members of the House Committee on Revenue

FR: Derek Sangston, Oregon Business & Industry

RE: Opposition to HB 3962

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Walters, members of the House Committee on Revenue. For the record, I am Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify with strong opposition to HB 3962, as it would be amended by the -2 amendment. OBI opposes the proposed amendment to HB 3962 because, by redirecting how lodging tax revenues must be used, the bill would disrupt an agreement between industry and local governments that was negotiated long ago, communities would struggle to promote local destinations, and investments in tourism facility investments would lag. Not only has this agreement worked well for two decades, but it has also spurred substantial economic growth throughout the state, especially including some of Oregon's most rural regions.

In Oregon, both state and local governments may impose lodging taxes on temporary accommodations. The state imposes a 1.5% tax, while local governments may impose additional taxes at varying rates. Current statute also requires any tax rate increase on July 2, 2003, or later be subject to a 70/30 spending allocation whereby 70% of the increase goes to tourism promotion or tourism-related facilities and the remaining 30% for whatever the taxing jurisdiction chooses to prioritize within their budget. The portion of these taxes that are intended to fund tourism promotion and the development of tourism-related facilities work to enhance the state's appeal to visitors. The rationale for this is sound. By funding campaigns to encourage non-peak and offseason visits to Oregon's tourist destinations, lodging tax revenues help drive year-round employment and industry growth in Oregon's most tourism dependent communities.

Tourism-related businesses generate millions in local and state tax revenue annually through property taxes, business taxes, and the Transient Lodging Tax (TLT). These funds already directly support infrastructure, emergency services, and community development. By redirecting lodging tax revenues away from tourism-related investments, HB 3556 would almost certainly reduce the collection of those revenues through the reduction in year-round tourism.

OBI additionally opposed this concept when it was part of HB 3556 and under consideration by the House Committee on Emergency Preparedness, General Government, and Veterans. Ultimately, HB 3556 did not have the support of the majority of that committee and did not advance out of the committee prior to the 1st Chamber Deadline.

Out of respect for the Legislative process and in light of the significant deviation from the longstanding compromise HB 3962 would present, OBI urges this committee to oppose HB 3556.

Thank you for your consideration.

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