

HB 220

An Act establishing a bed tax;
and providing for an effective
date.

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Summary of Bill

- 6% tax on the amount of room rented for lodging
 - Excludes rentals over 30 days
 - Excludes government employees
 - Excludes foreign officials
- Collected by the person or firm renting the room to a guest
- In addition to municipal bed taxes

Context

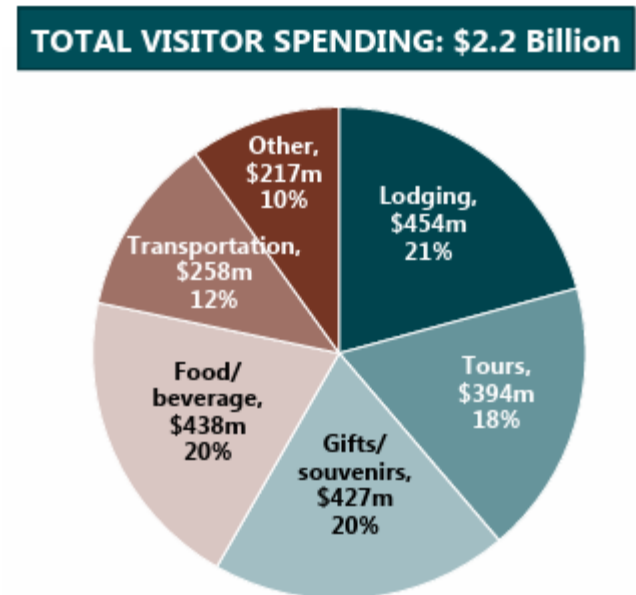
- Alaska had 2.4 million visitors in 2019
 - 1.33 million cruise passengers
 - 1 million air passengers
 - 99,000 highway/ferry passengers
- Spending of \$2.79 billion in 2019
- Tourists do bring revenue to the State of Alaska
 - AK Railroad revenues
 - Fish and Game licenses/tags
 - Commercial Passenger Vessel Tax
 - AK Marine Highways System revenues
- Lodging is only part of the price of a trip to Alaska

Visitor Expenditures in Juneau, Per Person, Per Trip
Juneau Visitors, Summer 2016

	All Visitors	Air	Cruise	Hwy/Ferry	Juneau Only
Lodging	\$11	\$178	-	\$90	\$246
Tours/activities/entertainment	\$95	\$96	\$95	\$48	\$142
Gifts/souvenirs/clothing	\$53	\$53	\$53	\$28	\$71
Food/beverage	\$19	\$131	\$12	\$79	\$170
Rental cars/fuel/transportation	\$5	\$87	\$1	\$26	\$98
Other	\$6	\$85	\$1	\$11	\$74
Total	\$188	\$630	\$162	\$281	\$800

Note: Multi-day packages that occurred exclusively in Juneau are included in the "other" category.

Chart 3. Total Visitor Spending in Alaska
2017, By Sector



Who would bear the burden of the tax?

- Even if companies collect the tax, they may pass the burden on to customers through higher prices
 - Their ability to do this depends upon how responsive demand is to changes in price
- Bibler, Teltser and Tremblay (2021 RESTAT https://doi.org/10.1162/rest_a_00910)
 - Use data on Airbnb listings and examine a change in tax enforcement
 - Find demand for short term rentals (Airbnb's) is not responsive to changes in price
 - Tax burden disproportionately falls on consumers (tourists)
 - There is little change in the amount of Airbnb activity
- Are Airbnb's special?
 - Small existing literature for other forms of tourism with mixed results
 - For locations with close substitutes demand is more responsive

Other Comments

- Fiscal note assumes no significant impact on the demand for room rentals
 - It is estimated to raise between \$18 million and \$52 million
 - Revenue is smaller if demand is more responsive
- Some communities already have significant bed taxes that they use for revenue
 - Highest rate: Anchorage, Bethel, Kaktovik, Nuiqsut
 - Highest revenue (over \$1 million): Anchorage, Denali Borough, Fairbanks, Fairbanks (borough), Juneau, Mat-Su Borough
- Issues with capping combined state and municipal room taxes

Comments on the bill

- The combined tax would be higher in municipalities with existing taxes
- Caps on the combined tax would either
 - Reduce local revenue (if state paid first)
 - Reduce state revenue (if municipality paid first)
 - Municipalities would have incentive to tax to the cap