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HOUSE SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND TOURISM

ALASKA STATE LEGISLATURE

P.O. BOX V, JUNEAU 99811

(907) 465-2973



August 8, 1991

Dear Alaska tourism operator:

As you are aware, there appears to be growing interest within the Alaska legislature and Hickel administration to find new sources of revenue to fund the state's tourism promotion efforts. As chairman of the House Special Committee on International Trade and Tourism, I write to solicit your views about the way Alaska currently funds its promotion efforts and to seek suggestions for ways to generate new revenues for these programs so we can maintain the health of this important industry.

There have been several developments in recent months that make this issue especially timely. Governor Hickel in July vetoed \$2.2 million for additional tourism promotion and grants which many of us in the legislature fought to include in the Fiscal 1992 budget. Unfortunately, I believe this veto leaves Alaska at a disadvantage at a time when the international competition for tourism dollars is increasingly fierce.

In the final weeks of this year's legislative session, House Bill 12 dealing with Alaska's corporate income tax, was amended so that the international cruise ship industry waterborne operations in Alaska would have been subject to Alaska taxes for the first time ever. That provision was eliminated, but Governor Hickel introduced a bill (HB329) to subject the shipping and cruise industry to Alaska taxes. At the same time, Rep. Fran Ulmer introduced House Concurrent Resolution 32 which calls on the state government and private tourism industry to develop recommendations for possible new tourism taxes. That resolution has been referred to my committee.

I believe this is the situation in which we find ourselves: Declining state revenues and the Hickel administration's desire to cut the budget will mean less money for all state programs in the near future, including tourism promotion which for Fiscal 1991 totaled about \$9.2 million. Through the cooperative marketing program, the industry contributed a statutory match of 15 percent toward those promotion efforts, which in 1991 totaled about \$911,000. Many legislators, including me, believe we need to maintain about the current level of funding for tourism promotion, if not an increase, to keep this vital industry healthy. The solution appears to be finding other sources of revenue.

In advance of committee hearings on this issue in the fall, I would welcome your views on how the state should promote its tourism opportunities and whether you support new revenue sources to pay for that promotion effort. I urge you to review Rep. Ulmer's resolution (attached) and address any of the dozen options listed on page 2. Specifically, this committee would like you to address the following points:

review Rep. Ulmer's resolution (attached) and address any of the dozen options listed on page 2. Specifically, this committee would like you to address the following points:

- Do you believe the state's current level of tourism promotion benefits tourism businesses in your community? If not, do you have suggestions how it could be improved?
- Does your community levy a tourism tax, such as a hotel tax, cruise ship docking fee, etc.? If so, please provide details about how it is applied and how much is generated annually.
- Would you support new sources of revenue to fund the state's tourism promotion efforts, such as some form of a statewide tourism tax? If so, what type of tax do you believe would be best?

To assist you in responding to this issue, I have enclosed a recent report by the Legislative Research Agency requested by Rep. Ulmer that examines tourism tax options. I also am seeking the views of tourism operators on this issue. I would appreciate a response from you by September 16 so that this committee can evaluate this issue. Please direct your responses to me at my Fairbanks office: 119 N. Cushman St., #203, Fairbanks 99701.

Thank you in advance for your cooperation.

Sincerely,

Representative Tom Moyer
Chairman



KETCHIKAN
VISITORS BUREAU

September 9, 1991

Honorable Tom Moyer, Chairman
Alaska House of Representatives
House Special Committee on International Trade & Tourism
119 North Cushman St. #205
Fairbanks, AK 99701

Dear Mr. Moyer,

Ketchikan's Mayor, Ted Ferry, forwarded your letter of August 8, 1991 regarding tourism promotion funding for Alaska to the Ketchikan Visitors Bureau. After thorough consideration we are offering this letter in response to your inquiry.

Ketchikan currently has a 5% sales tax and a 4% bed tax. An overnight visitor staying in a Ketchikan lodging facility pays 9% tax on his room rate.

The City of Ketchikan and the Ketchikan Gateway Borough fund the Ketchikan Visitors Bureau (KVB) from these tax sources for Ketchikan area tourism promotion. The KVB leverages the tax generated funds with private sector sources such as membership, in-kind contributions, and donations.

In light of the current and future competition and inflation, we have strong concerns regarding the state's current level of tourism promotion. The state is only meeting 3% of its target market. Alaska's decline in coop dollars with the industry will result in less revenue to the state.

Alaska maintaining a viable tourism promotion program is essential to our businesses and members. For every \$1.00 spent, there is a return of \$95.00.



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August 23, 1991

Representative Tom Moyer
Chairman
House Special Committee on International Trade & Tourism
P.O. Box V
Juneau, AK 99811

Dear Representative Moyer

Thank you for your August 8 letter regarding ALASKA TOURISM FUNDING. Your letter shows admirable long range planning for this utmost important industry for Alaska.

I believe tourism is a vital industry to our state and we need to do whatever is possible to continue to guarantee that the flow of visitors to Alaska continues to grow in the future. This is a renewable resource of the state that needs broad base support.

Our company is involved in a number of industries- mostly in the natural resource area. In addition approximately 25% of our revenues are related to the tourism industry, providing mostly services and support to that industry. We however rank the importance of this industry much greater than the 25% relation to revenue.

As is pointed out, everyone receives some kind of benefit from the tourism industry. This is the reason for broad base support for the state allocation to the state tourism marketing plan. The small business industry in Alaska relies on cooperative pooling of marketing talent and dollars of the Alaska Tourism Marketing Council, to provide the life blood of these businesses. This marketing cannot begin to be matched on a individual or local level. The support for allocation of the state funds for this program stems from the fact it effects so many different businesses from tour operators to garbage collectors and hospitals.

The tourism industry needs this continuous assurance of state dollars to be allocated to the marketing program, thus having a broad base source of funds to provide the benefit.

A couple of possible alternatives to the funding of tourism would be:

1. Establish a base line of current state comment to tourism from existing sources of budget (with future

adjustments for inflation.)

2. Develop other sources of funds to supplement this balance.

Alaska cannot maintain the current level of funding for tourism, it must expand not only in marketing dollars but infra-structure development.

In looking at other sources of funds I would believe it best to identify those sources which are most direct to the industry. I believe most people would be receptive to an additional funding source if it can be guaranteed that it will be used directly for that industry and not state administration. As the state constitution does not allow dedicated funds, perhaps it would be possible to set up a system such as the Aqua Culture industry.

Again thank you for the opportunity to comment on this important issue for the State of Alaska. We would appreciate keeping us in contact as the issue progresses.

Sincerely



Bob Berto

TOURISM TAXES AND THE TRAVEL INDUSTRY

Delivered at
The National Conference of State Legislatures Annual Meeting
Arts and Tourism Committee
Tuesday, August 13, 1991
Orlando, Florida

Stephen D. Lemson
Director
State Government Affairs
American Express Company



Good Morning.

I am delighted to be able to participate on this panel. American Express and NCSL have worked together closely on travel and tourism issues over the years and, in particular, I'd like to call your attention to Travel and Tourism: A Legislator's Guide, released this spring. Laura Loyacono did a terrific job researching and writing the Guide, and we were pleased to provide funding for the project. If you haven't read it yet, I urge you to do so.

Our subject today -- state tourism taxes -- is one which the travel and tourism industry, American Express included, takes very seriously. But before I speak about taxes, I'd like to spend a little time talking about the travel and tourism industry in general and the impact it has on the nation's economy.

First, let's define what we're talking about. The Random House dictionary defines "tourism" as "1. The promotion of tourists by a country as an industry. 2. The business of providing accommodations for tourists." That's not the definition we use at American Express.

We asked Wharton Econometric Forecasting Associates (the WEFA Group) to help us define and measure the industry worldwide. The WEFA Group is one of the country's leading econometric forecasting teams.

As a result of that study, here's our definition: Travel and tourism is the vast, complex network of businesses engaged in the lodging, transportation, feeding and entertainment of travelers. This includes all hotels and other lodging places, most passenger transportation services, some restaurants, and recreational and cultural services.

So when I speak of tourism taxes, I am referring to taxes and other state and local revenues derived from those industries.

On the other side of the equation, we define the term "traveler" more broadly than the man or woman on vacation. Who is the traveler?

- o He could be an Eastern European traveling to America ~~for~~ the first time;
- o She could be a businesswoman staying a few extra days after a sales trip;
- o They could be an elderly couple visiting their grandchildren.

With these definitions in mind, let's talk about the impact of travel and tourism on state and local economies.

Economic Impact of Travel and Tourism

According to the U.S. Travel Data Center's most recent statistics, the total (direct and indirect) impact of domestic travel spending on the U.S. economy in 1989 produced:

- o Over \$630 billion in expenditures and output;
- o \$186.5 billion in wages and earnings;
- o 10.7 million jobs;
- o and over \$41 billion in tax revenues for federal, state and local governments.

On the national level, there is one statistic that merits special attention. Travel and tourism is the country's largest export. More than autos, more than textiles, more than agriculture, travel and tourism earns greater foreign exchange for the United States than any other industry.

Last year 39 million visitors came to the United States and spent \$44 billion. In an era of massive trade deficits, our industry is running a trade surplus of nearly \$5 billion.

At the state level, travel and tourism is a powerful economic force. I brought with me copies of the U.S. Travel Data Center and Tourism Government Affairs Council's state-by-state analysis of the economic impact of travel and tourism to share with you. I hope

you take the time to look them over. They will give you a good sense of the economic impact of travel in your state.

Here are some interesting numbers:

- o 28 states lists travel and tourism as their first, second, or third largest industry. In some states -- like Hawaii, Nevada, and Vermont -- the industry employs over 20 percent of the total workforce.
- o Travel and tourism is the second or third largest generator of retail business receipts for a majority of states. That means substantial sales tax revenue for state and local governments.
- o Here in Florida, travel and tourism is the largest employer in the state. In 1989, the industry generated almost 527,000 jobs -- or almost 10 percent of all jobs in Florida -- and \$6.2 billion in payroll. In 1989, tourists spent nearly \$81 million a day in Florida, and the industry contributed over \$3.6 billion in total tax revenues.
- o At the bottom line Florida received \$124.13 in tourism-generated state taxes for each dollar the state budgeted for tourism in 1989.

Let me repeat that: For every dollar Florida spent to promote tourism, the state receive \$124.13 in state tax revenues. That is an impressive return on investment. Nothing in state government comes close to that kind of yield. The nationwide average is a return of \$36.22 in travel-generated state taxes for every dollar states spend on tourism.

Taxes on Tourism

Now, let's talk more specifically about tourism taxes.

As we talk about taxes on tourism, keep in mind that we are essentially talking about a tax on exports. Visitors come to your state and spend money. Taxes on tourism are taxes on one of your most significant export products.

The tax revenues generated by travel and tourism have not gone unnoticed by legislators. Federal, state and local governments continue to target the traveling public for more and increased taxes. As states grapple with unprecedented budget deficits, lawmakers have viewed travelers as a tax target of choice. The reasons are clear: First, the traveler is seen as someone else's constituent and lacks the power to retaliate in the voting booth.

Second, travel and tourism suffers from an image problem. It is often viewed as primarily benefitting people with higher incomes,

and is often lumped into "luxuries" along with "sin tax" categories such as alcoholic beverages and tobacco. The logic is higher income individuals can and should bear a higher tax burden.

But travel is important to people all across the economic spectrum. Moreover, the jobs and income travel and tourism generates flow disproportionately to lower income individuals and small businesses.

The traveler's tax burden may not yet be onerous, except for visitors to the nation's larger cities, but the number of new taxes and the frequency of increases in existing taxes at all levels is a growing concern to the U.S. travel industry.

The traveling public paid \$2.1 billion more on travel in 1989 than in 1984 due to increased and new federal taxes and user fees; they paid \$1.3 billion more because of increased and new state taxes on travelers; and they paid \$600 million more because of new and increased local taxes on visitors. This five-year, \$4 billion increase in the traveler's tax burden has grown and will continue to grow.

The federal government increased the federal transportation tax on airline tickets by 25 percent in 1990, adding over \$1 billion to the cost of travel for Americans in 1991. A new agricultural inspection user fee on international travelers returning to the

United States in 1991 will add nearly \$80 million annually to the cost of overseas travel for Americans. In addition, the federal government has allowed a new local option \$3 air passenger facility charge to be imposed this year, adding up to \$12 per round-trip.

On top of these rather substantial new and additional taxes on travelers, the industry expects annual increases in state and local taxes of about two percent due to new and increased taxes on visitors.

Impact on the Traveler

What do these new and increased taxes mean to the individual traveler?

Let's take the example of a traveler flying round-trip from Phoenix to New York. Let's call our traveler "Joe Smith."

The average domestic regular coach air fare from Phoenix to New York is about \$1,104. Of this amount, Joe will pay a Federal Transportation Tax of \$99.26 and Passenger Facility Charges of \$12.00 for a total of \$111.26 in U.S. taxes and airport charges. These taxes and fees amount to about 11.2 percent of Joe's transportation cost.

Joe decides to spend three nights in New York City. He plans to spend \$400 for his lodging and \$100 for meals -- Joe is an optimist. In New York City, the total tax on a hotel room that costs \$100 or more a night (and try to find one that doesn't) recently increased to more than 20 percent, including the 8.25 percent city and state sales tax, a new 5 percent state hotel tax, a 6 percent city room tax and a city bed tax of \$2 per night. In addition, Joe will pay the 8.25 percent sales tax on his food and beverages.

Joe's total tax bill for food and lodging will come to \$91.25, bringing his total expenses to \$591.25 -- or over 18 percent more than he budgeted.

What does this mean for Joe -- or any traveler to New York? With a tax bite potential of nearly 25 percent on top of the basic cost of a trip, the city may be approaching the level at which travelers will begin to reduce discretionary travel.

Some people may think, "Well, that's New York. We have a long way to go before we reach that level in my state." And it's true that in other major cities, room taxes range from 7 to 14 percent, substantially below New York. But it's also true that tourism is a highly competitive business. As people manage their travel budgets more closely, price factors weigh heavily in their choices. You may not compete for the same traveler as New York does, but you

do compete with your neighbors.

Today's travelers are bargain hunters. And travel and tourism consumption is highly price sensitive -- especially the tourism and family travel portions, which make up two-thirds of the total. As the incremental cost of travel goes up because of tax increases, travel volume goes down and the entire industry suffers.

Take hotel bed taxes, for example. The usual rationale is that this tax only burdens non-residents. That rationale is erroneous. Recent studies indicate that increasing hotel room rates by one percent reduces room demand by as much as 1.67 percent. The higher bed taxes go, the more they reduce demand for hotel services, cut hotel revenues and eventually decrease employment. That means state and local governments lose sales and income tax revenue.

Where Do Tourism Taxes Go?

Given that travel and tourism will continue to be a favorite revenue target for the reasons I outlined earlier, the question is what do travelers get for their tax dollar?

A healthy travel and tourism industry relies on development and maintenance of a viable infrastructure. Tourists require services, such as transportation to get them where they want to go. Roads, airports and port facilities require adequate maintenance. Hotels

and lodging establishments need police and fire protection, water and other services.

To the extent travelers draw upon state and local government services, sufficient nexus exists to justify some level of taxation to pay for them. For that reason, the travel and tourism industry does not oppose all tourism-related taxes.

But the economy is still experiencing the effects of the recession and the Gulf War. Although we are seeing significant recovery in the numbers of foreign tourists coming to the United States, domestic travel has yet to fully recover. And as the federal government and the states continue to struggle with declining revenues and increased spending, the temptation exists to balance budgets on the backs of travelers.

As Eric Friedheim, Editor-in-Chief of Travel Agent magazine, said recently, "There is no question that we are getting closer to the point of resistance to government charges that add no perceptible value to the travel experience."

That said, I should note that 80 percent of those cities exacting bed taxes do apply a portion of those taxes to travel and tourism. This application ranges from one percent to 100 percent of tax revenue. Making it reasonable to say that while some funds generated by a bed tax might be nominally -- or even substantially

-- earmarked for travel and tourism development, they also may never be applied to this purpose at all.

At the state level, some states such as Colorado and Louisiana do use dedicated taxes to fund their state tourism offices. By using dedicated taxes, these offices can shield themselves from vagaries of the state budget process. In California, on the other hand, at one point during the state's budget crisis, the entire budget for the state tourism office was almost eliminated. In the end, the California tourism budget was slashed from \$8.4 million to \$4.5 million.

Tourism is a business. And businesses need to spend money to make money. So, dedicated tourism taxes can make sense. Used for advertising and other purposes, they can be used to grow the market, which is good for the state and for the industry.

But I do want to underscore two important points. First, tax dollars that are dedicated to improving the tourism market today can end up in the state's general fund tomorrow. Speaking for American Express, we would much rather see general spending funded from broad-based revenue sources such as corporate and personal income taxes and general sales taxes. Broad-based taxes are a much better revenue stream than narrowly-based taxes such as those imposed on travel and tourism.

The second point is that travel and tourism is a cyclical industry. States that rely exclusively on dedicated taxes to fund tourism promotion run a serious risk. In recessionary times, travel declines and tax revenue falls. That means budgetary shortfalls just at the time when increased marketing is essential to preserve market share. This year's budget battles reflect the risks inherent in reliance on tax sources that fluctuate with the economy.

The question states should ask themselves is not how much can the traveler afford to pay. The real question is: How much can we afford to tax travelers? -- Or, as the title of this morning's session puts it so well, can we afford to kill the goose that lays the golden eggs?

The way each state answers that question will determine that state's competitive position in the overall travel market. So I conclude with this. State and local governments must look carefully at structuring the tax base so that the taxes generated by tourism go toward building the travel industry and making the travel experience better for the individual traveler. In this way, tourism taxes can be an investment in one of your state's leading export products, leading to a better, more competitive quality product that benefits all of us.

Thank you.

*Taxing Tourists:
Are We Killing the Goose
That Lays the Golden Egg?*

Tuesday, August 13, 1991

10:15 am - 12:00 Noon

**Marriott's World Center
Grand Ballroom, Salon III and IV
Orlando, Florida**

1989 U.S. DOMESTIC TRAVEL GENERATED TAX RECEIPTS

Travel expenditures and the business and personal income they generate produce tax revenue for federal, state and local governments. U.S. travelers directly generated over \$36 billion in tax revenue during 1989, up over 5 percent from 1988.

Table 11 shows the distribution of 1989 travel generated tax revenue among levels of government. The federal government accounted for more than one-half of the tax revenue earned from travel spending during 1989. State governments received almost one-third while local governments garnered almost fifteen percent.

Table 11: 1989 U.S. Domestic Travel Generated Tax Receipts

Level of Government	Tax Receipts (\$ Billions)	Percent of U.S. Total	Percent Change from 1988
Federal Tax	\$ 20.5	56.3%	5.0%
State Tax	10.4	28.6	3.0
Local Tax	5.5	15.1	10.2
U.S. TOTAL	\$ 36.4	100.0%	5.2%
Foreign Visitor Generated	4.8		
GRAND TOTAL	\$ 41.2		

c1991 U.S. Travel Data Center

The 5.2 percent increase in travel generated tax revenue for all governments in 1989 was lower than the 8 percent growth in total tax revenue. Federal government tax collections also rose 8.4 percent nationally while federal tax revenue directly attributable to travel expenditures rose 5 percent. State tax revenue increased 7.5 percent nationally compared to a 3 percent rise in state travel generated tax revenue. Total local government tax revenue grew 7.5 percent in 1989, compared to a 10.2 percent growth in travel generated local tax revenue.

During 1989, each dollar of travel spending in the U.S. generated 7.5 cents in federal tax revenue, 3.8 cents in state tax revenue, and 2 cents in local taxes, for a total of 13.3 cents.

The Data Center estimates that total tax revenue generated by foreign visitor spending in the U.S. was approximately \$4.8 billion dollars for the year. All told, U.S. and foreign travelers in the fifty states and the District of Columbia generated \$41.2 billion in tax revenue for U.S. governments, 4 percent of total tax revenue collections in the country. These tax receipts are the product of the tax structures and travel spending patterns.

Table 12 shows estimates of tax receipts generated by U.S. travelers in each of the states and the District of Columbia, by level of government, for 1989.

California led all other states with a total of \$4.9 billion in travel-related tax collections. Florida was second with nearly \$3.0 billion, and New York was third with \$2.9 billion.

Table 12: 1989 U.S. Travel Generated Tax Receipts

\$1.0 = \$1 Million

State	TOTAL	Federal	State	Local
Alabama	\$ 303.5	\$ 144.2	\$ 110.8	\$ 48.5
Alaska	126.9	86.5	15.0	25.4
Arizona	569.5	272.5	212.9	84.1
Arkansas	212.1	91.4	103.4	17.3
California	4,871.8	2,801.8	1,169.5	900.5
Colorado	756.3	449.1	187.3	120.0
Connecticut	434.8	295.2	102.2	37.5
Delaware	84.1	66.6	19.7	7.8
Florida	2,979.1	1,536.2	969.4	473.6
Georgia	1,063.0	620.5	275.3	167.2
Hawaii	626.6	357.8	225.6	43.2
Idaho	142.9	65.1	69.0	8.8
Illinois	1,699.1	1,057.4	421.1	220.5
Indiana	419.8	208.8	155.7	55.2
Iowa	259.3	115.2	119.1	25.0
Kansas	222.0	115.6	81.9	24.5
Kentucky	324.7	164.1	129.3	31.3
Louisiana	480.6	209.0	173.8	97.8
Maine	141.7	63.9	59.7	18.0
Maryland	633.5	347.3	182.8	103.5
Massachusetts	815.8	533.2	178.1	104.6
Michigan	882.0	525.8	267.7	88.5
Minnesota	697.3	432.8	184.5	80.0
Mississippi	181.5	68.1	88.9	24.4
Missouri	852.0	550.5	218.6	83.0
Montana	114.6	57.9	43.1	13.6
Nebraska	178.8	86.3	67.8	24.7

Table 12: 1989 U.S. Travel Generated Tax Receipts (Continued) \$1.0 = \$1 Million

State	TOTAL	Federal	State	Local
Nevada	\$ 1,140.5	\$ 687.5	\$ 194.8	\$ 258.3
New Hampshire	108.0	63.1	28.6	16.3
New Jersey	1,281.6	754.8	397.5	129.3
New Mexico	219.0	96.5	93.8	28.8
New York	2,918.9	1,678.5	636.7	603.7
North Carolina	849.7	478.3	233.4	138.0
North Dakota	67.5	30.5	30.9	6.1
Ohio	903.3	517.4	279.4	106.5
Oklahoma	456.8	211.0	189.9	55.9
Oregon	300.2	196.1	49.9	54.2
Pennsylvania	1,091.9	660.5	332.7	98.7
Rhode Island	85.9	53.5	23.0	9.4
South Carolina	506.6	214.7	219.5	72.4
South Dakota	69.9	29.6	30.9	9.4
Tennessee	1,038.3	617.0	285.7	135.6
Texas	2,214.1	1,302.1	597.2	314.8
Utah	301.2	144.9	118.8	37.5
Vermont	95.8	44.0	37.6	14.1
Virginia	1,035.1	479.8	354.9	200.4
Washington	587.0	362.4	168.1	56.5
West Virginia	123.2	48.7	62.1	12.5
Wisconsin	433.4	218.0	170.3	45.1
Wyoming	92.6	45.6	27.3	19.6
Washington DC	358.4	213.1	0.0	145.2
TOTAL	\$ 36,362.3	\$ 20,470.5	\$ 10,395.2	\$ 5,496.6

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Note: Estimates based on travel 100 miles or more away from home or overnight trips with one or more nights in paid accommodations.

Combined State and Local Hotel Tax Rates in 25 Cities

CITY AND STATE	1991 Rate	1984 Rate	Percent Increase
New York, NY *	19.3%	N.A.	
Columbus, OH	15.8%	10.0%	58%
Seattle, WA	14.1%	12.9%	9%
Austin, TX	13.0%	8.0%	63%
Atlanta, GA	13.0%	8.0%	63%
Denver, CO	12.9%	8.1%	59%
Milwaukee, WI	12.5%	11.0%	14%
Chicago, IL	12.4%	N.A.	
Nashville, TN	11.8%	3.0%	292%
New Orleans, LA **	11.0%	11.0%	0%
Washington, DC ***	11.0%	10.0%	10%
San Francisco, CA	11.0%	9.8%	13%
Hot Springs, AR	10.5%	3.0%	250%
Louisville, KY	10.3%	9.0%	14%
Kansas City, MO	10.3%	9.6%	6%
Orlando, FL	10.0%	8.0%	25%
Boston, MA	9.7%	5.7%	70%
Tucson, AZ **	9.5%	8.0%	19%
Oklahoma City, OK	9.3%	7.0%	32%
Salt Lake City, UT	9.3%	4.0%	131%
San Diego, CA	9.0%	6.0%	50%
Portland, OR	9.0%	6.0%	50%
Burlington, VT	9.0%	7.0%	29%
Las Vegas, NV	8.0%	7.0%	14%
Souix Falls, SD	6.0%	1.0%	500%

N.A.- Not available

*New York adds an additional \$2.00/night.

**New Orleans and Tucson add an additional \$1.00/night.

***Washington, DC adds an additional \$1.50/night.

Source: NCSL Survey, July 1991.

Commerce Clearing House, "State Tax Guide," April 1991.

Hawaii Tax Review Commission, "Results of Transient Accommodation Tax Survey," October, 1984.

Appendix 2

AVERAGE LOCAL TAX RATE 1989 HOTEL/MOTEL ROOM SALES

Local Tax on Hotel/Motel Room Sales

Average Rate		Average Rate	
Alabama	4.23%	Indiana	4.00%
Major city rate = 8.00%		Major city rate = 5.00%	
Alaska	8.00%	Iowa	5.60%
Major city rate = 8.00%		Major city rate = 7.00%	
Arizona	4.43%	Kansas	4.36%
Major city rate = 5.50%		Major city rate = 6.50%	
Arkansas	4.06%	Kentucky	3.12%
Major city rate = 5.00%		Major city rate = 5.25%	
California	8.49%	Louisiana	5.45%
Major city rate = 13.00%		Major city rate = 7.00%	
Colorado	5.15%	Maine	0.00%
Major city rate = 8.90%		Major city rate = 0.00%	
Connecticut	0.00%	Maryland	4.89%
Major city rate = 0.00%		Major city rate = 7.00%	
Delaware	0.00%	Massachusetts	4.00%
Major city rate = 0.00%		Major city rate = 4.00%	
Florida	3.40%	Michigan	3.36%
Major city rate = 6.00%		Major city rate = 7.00%	
Georgia	5.62%	Minnesota	8.40%
Major city rate = 9.00%		Major city rate = 12.00%	
Hawaii	5.43%	Mississippi	2.00%
Major city rate = 5.43%		Major city rate = 3.00%	
Idaho	3.33%	Missouri	3.92%
Major city rate = 6.00%		Major city rate = 5.78%	
Illinois	3.27%	Montana	4.00%
Major city rate = 6.40%		Major city rate = 4.00%	

Local Tax on Hotel/Motel Room Sales

	Average Rate
Nebraska	3.69%
Major city rate = 3.00%	
Nevada	5.33%
Major city rate = 5.00%	
New Hampshire	7.00%
Major city rate = 7.00%	
New Jersey	6.00%
Major city rate = 6.00%	
New Mexico	5.01%
Major city rate = 6.75%	
New York	4.60%
Major city rate = 9.25%	
North Carolina	3.79%
Major city rate = 5.00%	
North Dakota	3.75%
Major city rate = 4.50%	
Ohio	5.21%
Major city rate = 10.50%	
Oklahoma	6.10%
Major city rate = 8.75%	
Oregon	7.83%
Major city rate = 9.00%	
Pennsylvania	2.45%
Major city rate = 5.00%	

	Average Rate
Rhode Island	4.57%
Major city rate = 6.00%	
South Carolina	2.00%
Major city rate = 2.00%	
South Dakota	2.42%
Major city rate = 4.50%	
Tennessee	5.19%
Major city rate = 7.25%	
Texas	6.94%
Major city rate = 8.75%	
Utah	4.91%
Major city rate = 5.66%	
Vermont	2.00%
Major city rate = 2.00%	
Virginia	3.57%
Major city rate = 5.50%	
Washington	3.46%
Major city rate = 7.60%	
West Virginia	3.75%
Major city rate = 4.00%	
Wisconsin	4.82%
Major city rate = 7.00%	
Wyoming	1.63%
Major city rate = 3.00%	

OPINION

Farsighted bed tax passes decade review with flying colors

A decade ago Anchorage took a bold step to diversify its economic base.

Anchorage voters strongly supported an 8-percent bed tax that dedicated 50 percent of the revenues for "promotion of the tourism industry." Bed tax is a levy collected from those who rent hotel and motel rooms in our municipality. It is, in effect, the only sales tax in Anchorage.

Since that vote, half of the bed tax receipts flow into the municipal coffers to fund running the city and half go to the Anchorage Convention and Visitors Bureau to attract visitors to our city.

Great things were promised when the bed tax was increased and great things have happened since. Here's a short report card on what the bed tax has produced.

Supporters of the increase optimistically predicted the bed-tax fund promotion program would strengthen the fall, winter and spring tourism industry, increase the number of visitors by 26 percent within the first five years and triple the industry's economic output during the 1980s. Now that a decade has passed, I'm pleased to report that we've exceeded most of the original goals. And the visitor industry did it while overcoming obstacles such as recessions,



Bill Elander

a massive oil spill, volcanic eruptions and a disruptive war in the gulf.

Since 1979 when voters increased the bed tax, our annual visitor numbers have increased over 80 percent. Much of that growth has been in the fall, winter and spring seasons when hotels have beds empty and restaurants have seats unreserved. This year looks even better. By attracting more visitors to Anchorage, we've almost doubled the amount of bed tax that goes directly to pay for municipal services that everyone uses.

How did Anchorage produce such a dramatic increase? The two things that

make the business world go 'round: money and hard work.

The Anchorage Convention and Visitors Bureau takes its portion of the bed tax and promotes. And that's where the hard work comes in. An area I've talked about before is attracting meetings and conventions. Conventions are a multimillion-dollar business that injects new money directly into the local economy. For example, since we started tracking convention sales in 1986, Anchorage has profited by roughly a 45 percent increase, pulling in over \$31 million in bookings in 1990.

This kind of increase takes money to make it happen. Because conventions are so profitable to the host community, competition is tough. ACVB uses its portion of bed tax only on activities that will attract visitors to Anchorage.

And, we don't do it alone. You'll see staff members on the road working closely with the private industry in making direct sales presentations at association meetings, trade shows and showing our city to meeting planners who can bring business here. We also sell Anchorage as a year-round destination to tour operators and travel agents around the world. Plus, the bed tax keeps four

round to serve visitors once they're here.

And, as I've pointed out before, these visitors just don't fill up hotels and eat-tries. They use taxi cabs and rental cars, buy books and sweaters, and take flightseeing and fishing trips. In fact, for every dollar we use for visitor promotion, visitors return \$16, giving the city a 1,600 percent return on investment.

The upsurge of visitors and their dollars translates into a steady increase in the number of visitor-related businesses. A recent study by the McDowell Group shows the visitor industry is now Alaska's second largest private employer.

The relationship between the bed tax and increasing visitors is a true perpetual motion machine. As we increase visitors, ACVB receives more money from the bed tax that, in turn, is used to bring in even more visitors.

That was the intent of the authors of the bed tax proposal. By specifying a percentage instead of a dollar amount of the collected bed tax, they allowed the tourism industry and the amount of money rolling into the municipality's general fund to grow. So, send your vote of thanks to then-Mayor Sullivan and those Assembly members from the late 1970s. They, in concert with the private

sector, devised this win-win plan for our community.

The great thing about visitor marketing is locals don't pay a cent. Through the bed tax, the visitors themselves provide the funds to attract more visitors while also pouring a couple of million dollars into the city's general fund.

So, you're part of the visitor industry, even if you've never seen a visitor. You benefit from some of the money our visitors left behind when you use the library, enjoy police protection, drive our streets or use any other service the municipality offers.

Everyone is a winner from the bed-tax arrangement. Tourism is a renewable resource that supports its own marketing while continuing to add millions to the municipality's general fund. The next time you see a visitor, don't just ask them where they're from, shake their hand and thank them for helping to pay for our schools and streets.

And, while you're at it, congratulate yourself for supporting a 1979 ballot question that is still working today.

Bill Elander is president and chief executive officer of the Anchorage Convention and Visitors Bureau. His column appears every other Tuesday.

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Tourism businesses hit taxes

By INGRID MARTIN
Staff Writer

Tour business owners and state tourism officials told a House committee that boosting tourism marketing coffers by imposing new taxes on visitors could be self-defeating.

The House Special Committee on International Trade and Tourism held a Tuesday hearing on a resolution introduced by Rep. Fran Ulmer, D-Juneau, intended to identify funding sources to replace declining state revenue.



ULMER

In all, about \$9.2 million in state general fund money was used to promote tourism in Alaska in fiscal 1991, through the Alaska Tourism Marketing Council and the state Division of Tourism. In addition, those agencies spent more than \$1.34 million in funds from their own operations and programs.

Ulmer suggests the state consider hotel taxes, business sales taxes, food and drink taxes, campground or recreation activity taxes, rental car taxes, commercial aircraft landing or departing fees; cruise ship docking fees; head taxes on all visitors; gaming taxes; and seasonal sales taxes.

Johne Binkley, whose family owns and operates the Riverboat Discovery, said small businesses depend on the state for help in promoting Alaska as a visitor destination. Without it, he said, only larger companies could afford wide-scale marketing.

"It's difficult for small operations to compete," Binkley said.

Last year, private-sector advertising totaled nearly \$50 million, according to Ulmer. In addition,



BINKLEY

Alaska Visitors' Association members contributed more than \$350,000 in outright and in-kind donations toward promoting tourism.

John Reeves, who owns Gold Dredge No. 8, has in the past suggested that money the state now uses to make longevity payments would be better spent promoting tourism.

Again Tuesday, he suggested that rather than find new ways to tax tourists, the state look for new ways to cut the budget.

"Alaska is a great place to go and not a place where you get ripped off at every turn," he said. "We already have the reputation for being one of the most expensive states. I don't think we need to embellish on that reputation anymore."

Conn Murray, director of the Division of Tourism, advised against taxes that would compete with taxes already being collected by local governments. Municipalities typically deposit those revenues into dedicated accounts, he said, whereas the state would add them to its general fund, and there could be no guarantee they would benefit tourism marketing efforts.

A study by legislative analyst Linda Snow also said hotel or head taxes could be difficult and costly to administer.