FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 4047**
80th Oregon Legislative Assembly – 2020 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Makes rate of state transient lodging tax as increased by Enrolled House Bill 4146 (2016) permanent.

Government Unit(s) Affected:
Department of Revenue (DOR), Oregon Tourism Commission (Travel Oregon)

Summary of Fiscal Impact:
Costs related to the measure are anticipated to be minimal - See explanatory analysis.

Analysis:
The measure makes the current state transient lodging tax rate of 1.8 percent permanent. It will continue to apply the 1.8 percent tax rate to any sale, service or furnishing of transient lodging on or after July 1, 2020. The measure takes effect 91 days after the Legislature adjourns *sine die*.

In 2016, the Legislature passed HB 4146 (Chapter 102, Oregon Laws 2016), which increased the state transient lodging tax from 1.0 to 1.8 percent from July 1, 2016 to July 1, 2020. On July 1, 2020, the state transient lodging tax rate is scheduled to decrease from 1.8 to 1.5 percent. The measure retains the current tax rate of 1.8 percent by repealing the scheduled rate reduction. The measure does not, however, alter the revenue distribution of the state lodging tax.

Oregon Tourism Commission (Travel Oregon)
The Oregon Tourism Commission is a semi-independent state agency subject to ORS 182.456 to 182.472. The agency's budget is not subject to Executive Branch review, or approval or modification by the Legislative Assembly.

The Commission notes that, in preparing its budget for the 2019-21 biennium, it anticipated the scheduled tax rate reduction from 1.8 to 1.5 percent. In effect, the Commission believes that the measure will increase both the monies distributed to the Commission and the monies distributed by the Commission for tourism programs. The Commission expects the measure will increase special payments made by the Commission and the Commission's programming costs, which include global sales, global marketing, global strategic partnerships, destination development, and operations and administration.

Starting with the 2017-19 biennium, ORS 284.131, as modified by HB 4146 (2016), requires the Commission to spend transient lodging tax revenue as follows:

- At least 65% must be used to fund state tourism programs. HB 4146 (2016) removes the provisions that funds can only be used for marketing programs.
- 10% must be used for a competitive grant program which may include tourism-related facilities and tourism-generating events, including sporting events.
- 20% must be used to implement a regional cooperative tourism program using a regional allocation formula that distributes revenue to regions in proportion to the amount of lodging tax revenue collected in each region. The Commission is mandated to base grant awards on demonstrated return on investment, geographic equity, and community support.

For the 2019-21 biennium, the Commission reports that it anticipates spending at least 95 percent of the revenue it receives from the state transient lodging tax on state tourism programs, competitive grant programs, and regional cooperative tourism programs. Per Commission request, the agency is required to maintain the other 5 percent of its total revenue in an operating reserve account.

Department of Revenue

The Department of Revenue (DOR) collects the state transient lodging tax from lodging providers, intermediaries, and agents. DOR then forwards the tax to the Oregon Tourism Commission, but DOR is permitted to keep up to 2.0 percent to cover its administrative costs. According to estimates from the Legislative Revenue Office (LRO), the measure will generate an additional $7.1 million in 2019-21 and $16.1 million in 2021-23. Using LRO's estimates, DOR could retain an additional $142,000 in 2019-21 and $322,000 in 2021-23; however, that assumes DOR will use the full 2.0 percent of the administrative allowance, rather than use only a portion of the allowance to cover its actual costs, which DOR has sometimes done.

DOR does not plan to request any additional budget authority to administer the state transient lodging tax this biennium. The measure would have a minimal fiscal impact on DOR.