TRANSIENT LODGING (HOTEL/MOTEL) TAX

The legislature created Oregon's state transient lodging tax program in 2003 to provide core funding to the statewide tourism marketing agency (Travel Oregon). The tax is collected by DOR.

Background:

In the 1930s, Oregon's then new state tourism bureau was part of State Highway Commission. Later, the tourism office joined the Oregon Economic Development Department. By 2003, the Legislative Assembly (HB 2267) decided to make the Oregon Tourism Commission an independent agency. The same legislative action established a statewide one percent transient lodging tax to help fund the tourism commission. Under the 2003 law the Legislature defined transient lodging in ORS 320 as "hotel, motel and inn dwelling units that are designed for temporary overnight human occupancy, and [which] includes spaces designed for parking recreational vehicles during periods of human occupancy of those vehicles." The law requires the Oregon Tourism Commission to spend at least 80 percent of lodging tax net receipts on state tourism marketing programs and up to 15 percent of net receipts on regional tourism marketing programs. The 2003 law also constrained increases or new lodging taxes by local governments. Any new or increased local taxes after 2003 requires that 70 percent of net revenue be spent to fund tourism promotion or tourism-related facilities. Eighty-four cities

EXHIBIT O-4

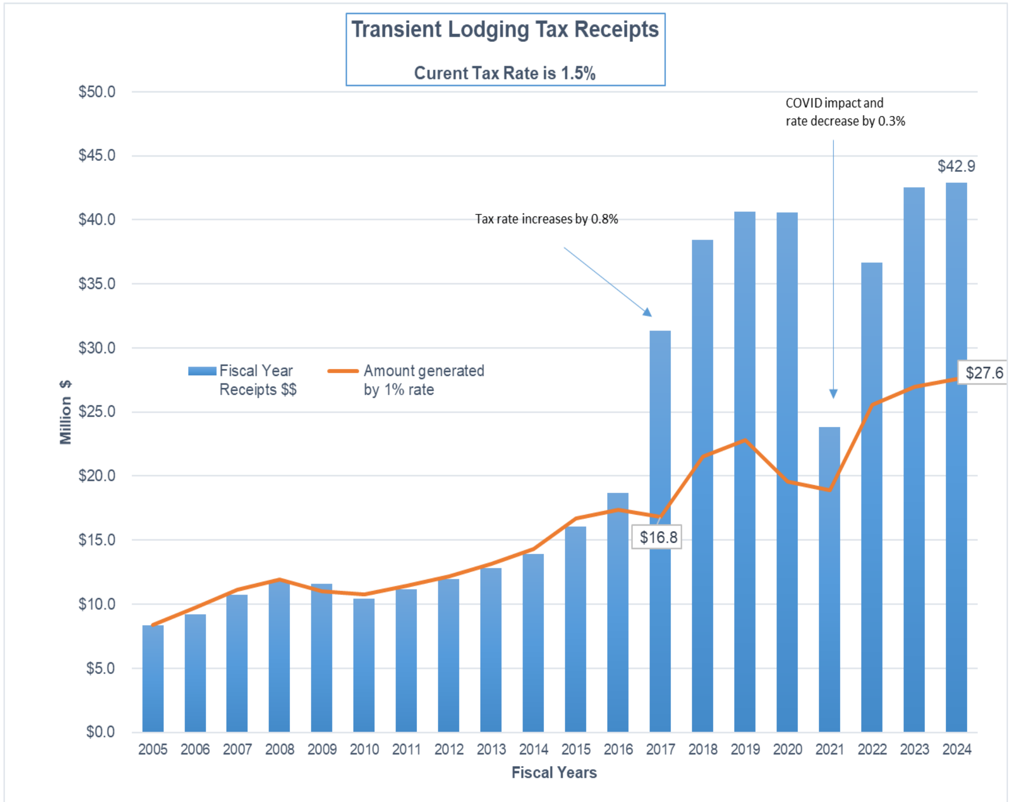
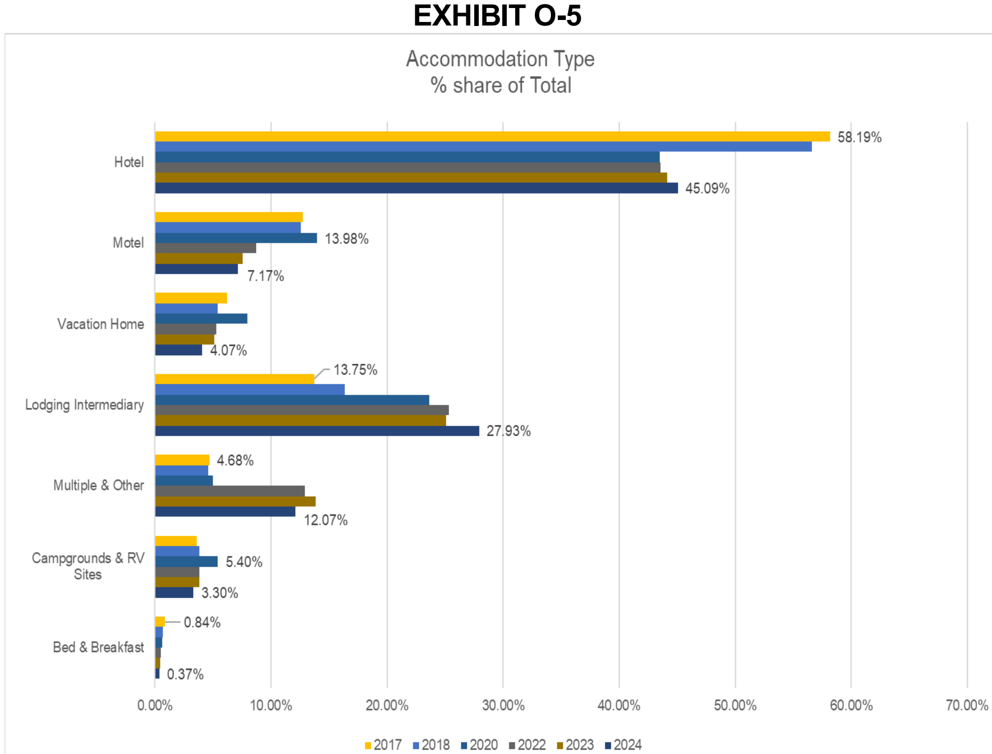


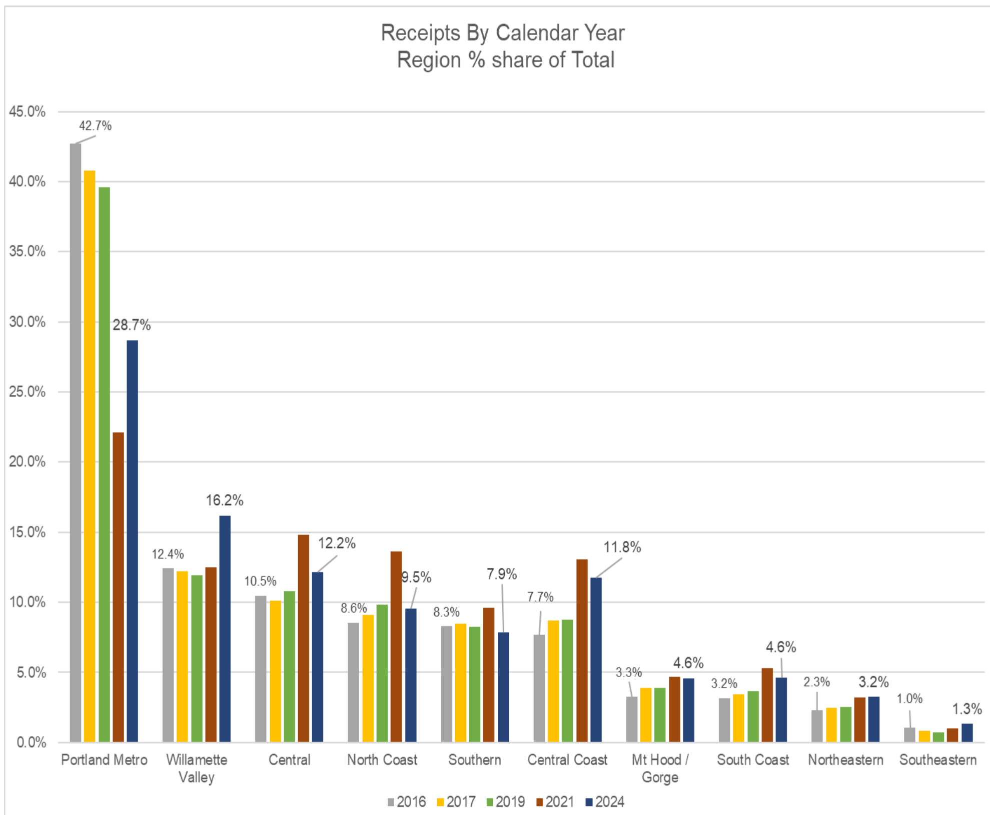
EXHIBIT O-5



and fifteen counties in Oregon levy a locally administered transient lodging tax and are also included in that legal definition.

The 2005 Legislative session expanded the definition of transient lodging (HB 2197) to include dwelling units used for temporary human occupancy, where temporary was defined as fewer than 30 days. The 2005 law explicitly exempted certain other temporary overnight dwelling units, such as hospitals and nonprofit summer camps. The 2013 Legislative Assembly clarified circumstances under which a transient lodging intermediary (HB 2656) rather than a lodging provider would be the entity responsible for collecting and remitting transient lodging taxes. Transient lodging intermediaries include Online Travel Companies (OTC), travel agents, and tour outfitter companies, among others. The law specified that the entity collecting the payment from the customer is the entity required to collect and remit the tax based on the total retail price paid by the customer. Intermediaries are becoming more dominant in the industry and currently reach 28% of total transactions and tax payments.

EXHIBIT O-6



The 2016 session (HB 4146) increased 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 down to 1.5%. The higher rate generated an additional $12.7 million in the 2015-17 biennium and $27.4 million in the 2017-19 biennium after deducting collection costs. The bill also required that 20% of the revenue collected from the transient lodging tax be spent on implementing the regional cooperative tourism program and 10% be allocated to a competitive grant program to fund tourism-related facilities and events. The 2016 bill directed the Tourism Commission to base grant awards on demonstrated return on investment, geographic equity, and community support.

HB 2400 and HB 3180 of the 2017 session gave DOR and local governments additional enforcement authorities and allowed for better collaboration. HB 4120 of the 2018 session expanded the definition of intermediary to include third party entities for stricter compliance. The 2019 session provided additional clarity to the timing of collection and when the payments are due (HB 3137), allowed the OTC's to collect on temporary rentals of less than 30 days (HB 3138), and established (and funded) a mechanism for a pilot system to collect local data (HB 3136).

Revenue during FY 2019 and FY 2020 reached $41 million; however, FY 2021 reflected the extent of the impact of the closures forced by the COVID- 19. Data from FY2023, and 24 shows that TLT collections have fully recovered and are growing again.

In previous Years, the Portland metro area generated more than 40 percent of the receipts, while the Williamite valley brought in slightly more than 12 percent. Together those two regions were responsible for about 55% of the total tax collections. As could be seen in the graph above those two regions' contributions have decreased to about 40% in the last couple of years but are starting to recover some of their market share. The remaining regions have taken away most of that market share. Central Oregon and the coastal regions are contributing close to 50% of total current revenue. Those regions started to take some market share away from the metro region starting in FY 2019. The data from the last two years show that the Portland region have recovered some of its previous market share.

Overall collections went down by about $6.5 million a year when the additional 0.3 percent tax rate elapsed in July 2020. Currently the permeant rate is 1.5% of business sales. Accounting for that reduction in rate, the net impact of COVID closures on the TLT revenue seem to amount to $10 million in FY 2021. That contraction represents about 25% of the total receipts and the corresponding lodging activities. It also seems that much of that reduction was concentrated in the Portland metropolitan region. Fiscal Year 2024 shows the strongest receipts on record at $42.9 million.