



Position Statement on Local Lodging Taxes in Oregon

Introduction

The Oregon Restaurant & Lodging Association (ORLA) represents the interests of Oregon's hospitality industry, including over 11,300 foodservice locations and over 2,000 lodging establishments. A significant aspect of ORLA's advocacy involves ensuring local lodging taxes, also known as Transient Lodging Taxes (TLTs), are utilized in accordance with state laws to promote tourism and support tourism-related facilities.

Overview of Transient Lodging Taxes (TLTs) in Oregon

In Oregon, both state and local governments impose lodging taxes on temporary accommodations. The state levies a 1.5% tax, while local governments may impose additional taxes at varying rates. These taxes are intended to fund tourism promotion and the development of tourism-related facilities, thereby enhancing the state's appeal to visitors while also providing local governments with a certain percentage of unrestricted funds to be used at the local government's discretion.

ORLA's Advocacy for Proper Allocation of TLT Revenues

ORLA actively monitors the collection and allocation of TLT revenues to ensure compliance with Oregon Revised Statute (ORS) 320.350. This statute mandates local governments must not decrease the percentage of TLT revenues allocated to tourism promotion and tourism-related facilities as of July 1, 2003. The statute also requires any tax rate increase on July 2, 2003, or later be subject to a 70/30 spending allocation whereby 70 percent of the increase goes to tourism promotion or tourism-related facilities and the remaining 30 percent for whatever the taxing jurisdiction chooses to prioritize within their budget. ORLA emphasizes the importance of adhering to this requirement, especially when local governments retire debt associated with tourism-related facilities. In such cases, ORS 320.350 prohibits local governments from redirecting these funds to non-tourism purposes.

The Case for Strategic TLT Investments

Oregon statutes governing local TLT have been working well for over two decades. Oregon's lodging businesses collect over \$220 million in TLT for local governments every year. These taxes are assessed on the sale of temporary accommodation even though other business types pay no sales tax in the state. Given this reality, lodging operators remain vigilant in advocating for industry specific investments with industry tax dollars collected. Priorities for industry investments include:

- **Shoulder season and off-season marketing campaigns.** Our industry is committed to creating strategic campaigns to boost non-peak travel demand. **We believe strong shoulder season and off-season marketing campaigns drive year-round employment opportunities for our hardworking industry teammates.**

- **Tourism-related facility creation or expansion.** When tourism-related facilities hit the mark, they become a boon for local economies. Local governments can usher in a new level of economic success by creating a long-term plan for meeting venues and attractions desired by tourists and business meeting planners.

Educational Initiatives

Recognizing the challenges posed by turnover in government positions, ORLA has developed educational resources to inform local officials about the legal requirements governing TLT expenditures. One such resource is an explainer video outlining how local lodging taxes must be expended in accordance with Oregon's state law. This video serves as a valuable tool for educating newly appointed local elected leaders and city administrative staff.

The video can be accessed on ORLA's YouTube channel:

<https://bit.ly/TLTdefined>

Addressing Common Misconceptions

The detailed laws for local lodging taxes in Oregon continues to result in misconceptions about state law governing these resources. We address these misconceptions in the following bullet points:

- **Misconception:** 70% of all TLT is spent on tourism
Reality: 70% of **any new or increased transient lodging tax implemented on July 2, 2003, or after** must be spent on tourism. Many local governments already have higher than 30% of TLT dollars unrestricted, since they had a TLT prior to 2003 grandfathered in
- **Misconception:** Tourism funds are all just marketing dollars
Reality: Tourism dollars restricted for industry needs can go to tourism-related facilities, events, grantmaking, and research
- **Misconception:** The tourism industry impacts communities more than the TLT collects
Reality: Tourism also contributes through property taxes, the gas tax, income taxes, and local utility fees. In fact, the tourism industry contributes hundreds of millions of dollars to local governments when these additional taxes and fees are added on top of industry-specific local lodging taxes. **In total, lodging operators contribute approximately \$650 million annually in local and state taxes.** (Source: Travel Oregon)
- **Misconception:** Visitors only pay a 1.5% statewide tax
Reality: State and local taxes are cumulative, and our industry can pay as much as 16% in TLT when local and state taxes are added together

Legal Advocacy

ORLA has been involved in legal actions to enforce compliance with state laws governing TLT allocations. A notable example is the case against the City of Bend, where ORLA successfully argued the city violated ORS 320.350 by decreasing the percentage of TLT revenues allocated to tourism promotion. The court's decision reinforced state statutes requiring local governments maintain or increase the proportion of TLT funds dedicated to tourism-related purposes.

Conclusion

ORLA remains steadfast in its commitment to ensuring local lodging taxes in Oregon are utilized as intended—to promote tourism and support tourism-related facilities. Through ongoing education, advocacy, and, when necessary, legal action, ORLA strives to protect the interests of the hospitality industry and uphold the statutory requirements governing TLT expenditures. The association remains fully supportive of existing state statutes governing local TLT. Changing state statutes relating to local TLT will not address the systemic challenges facing local governments working hard to balance their general fund budgets. ORLA believes a larger coalition of state leaders is needed to address the underlying causes of local government budget shortfalls.

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