Evidence to support Oregon's HB 2977

A marginal increase to Oregon's transient lodging tax is likely to increase tax revenue and draw more tourism money to the state

Ben Williamson & Mark Haggerty
Resources and Communities Research and Consulting (RCRC)
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Summary

HB 2977 proposes to raise Oregon's statewide transient lodging tax (TLT) from 1.5% to 2.5%. The additional 1% revenue will be directed to fish, wildlife, and habitat conservation efforts administered by the Oregon Department of Fish and Wildlife (ODFW). This investment in natural infrastructure represents a strategic commitment to Oregon's outdoor economy, enhancing quality of life for residents and visitors – an approach research shows drives economic growth and revenue more effectively than marginally lower taxes.

This policy brief examines three key areas: (1) lodging and tax revenue data from Oregon and neighboring states, (2) literature on quality of life investments as economic drivers, and (3) implications for the proposed HB 2977.

Key Findings

- **Tax Revenue**: A 1% transient lodging tax (TLT) increase would likely generate approximately $27.6 million annually, boosting ODFW's budget by 10%. Over five years, this would yield between $137.9 million (assuming no growth in lodging spending) and $160 million (assuming 5% annual growth in lodging spending).

- **Competitive Tax Rates:** Oregon, lacking a statewide sales tax, maintains one of the lowest lodging tax rates in the region even with the proposed increase.

- **No Impact on Spending:** Evidence from comparable states shows higher lodging tax rates do not negatively impact (a) lodging spending or (b) outdoor recreation's contribution to state GDP.

- **Economic Development:** Research consistently shows that investments in amenities and infrastructure that enhance quality of life lead to better economic outcomes at lower taxpayer cost than marginally lower tax rates.

Introduction

In 2003, Oregon passed HB 2267, which implemented a 1% statewide transient lodging tax (TLT) on overnight accommodations and established the Oregon Tourism Commission (operating as

Travel Oregon). This tax revenue funded tourism promotion, enabling Travel Oregon to grow as a semi-independent agency and implement significant tourism marketing across the state. In 2016, HB 4146 was passed, which increased the statewide TLT from 1.0% to 1.8% for a four-year period, after which it was set at 1.5%, which remains the current rate in 2025 (Revenue; Watson, 2020).

The current legislation under consideration, HB 2977, would increase the TLT to 2.5%, with the additional 1% allocated to wildlife conservation through the "Recovering Oregon's Wildlife Fund Subaccount." These funds would be continuously appropriated to the Oregon Department of Fish and Wildlife (ODFW). The bill recognizes that Oregon residents value wildlife, acknowledges the growing pressures of climate change and population growth on wildlife habitats, and emphasizes that protecting natural resources is essential for sustaining tourism revenue ("HB 2977," 2025). Through this targeted 1% TLT increase, HB 2977 aims to create a dedicated funding stream to enhance ODFW's conservation efforts.

ODFW's 2023-25 Legislatively Adopted Budget funds numerous programs supporting fish, wildlife, and habitat conservation (ODFW, 2023a). These investments in Oregon's natural infrastructure directly support the outdoor recreation and tourism sectors by maintaining healthy ecosystems, protecting species, improving public access, and preserving natural areas. Popular activities such as hiking, camping, bird watching, fishing, and rafting all benefit from strategic investments in wildlife protection and habitat conservation (Mitrovich et al., 2020).

Oregon's outdoor economy is a major economic driver with considerable impacts at both local and state levels. In 2023, Oregon state parks alone attracted 56.6 million visits (McDonald, 2025). Residents and tourists engaged in 209 million days of outdoor recreation in 2022, generating $16 billion in spending (Mackey & Cousins, 2024). Nature observation activities – including wildlife viewing, birdwatching, and exploring forests and wildflowers – comprised nearly 55 million activity days and produced over $3.7 billion in total net economic value (Rosenberger, 2023). Collectively, the outdoor economy contributes 2.6% to Oregon's GDP (BEA, 2023).

The evidence presented in this brief demonstrates that a marginal increase in the TLT will likely have no impact on lodging spending while generating a source of funding for wildlife conservation.

Data

Lodging Tax Rates Across the U.S.

Key takeaway: Oregon has the lowest combined statewide lodging tax and sales tax rate in the region – and will remain the lowest even after the proposed 1% increase.

States levy a variety of taxes on revenue, including a general sales tax on lodging, lodging specific taxes, or a combination of both. Oregon's current 1.5% TLT represents the third lowest statewide lodging tax rate in the U.S. Idaho and Montana both impose significantly higher rates at 8.0%, while Washington applies a 6.5% rate. Utah (5.17%), Wyoming (5%), and Colorado (2.9%) all maintain higher rates than Oregon. California and Alaska stand out as exceptions, with no statewide lodging tax. Even with the proposed increase to 2.5%, Oregon would maintain one of the lowest visitor tax burdens in the region (see Table 1).

This brief focuses exclusively on statewide lodging and sales tax structures. However, many states in the region also permit local lodging taxes, typically approved by voters at the city or county level. Oregon's local lodging tax rates vary widely – some jurisdictions collect no local lodging taxes, while others levy rates between 6% and 12% (EcoNorthwest, 2020). Despite California's lack of a statewide lodging tax, its local rates rank among the region's highest, spanning from 6% to 14% (Cohen, 2012). Washington employs a distinctive approach, allowing a "basic" lodging tax up to 2% as a credit against the 6.5% state sales tax, plus an "additional" lodging tax up to 2% applied on top of other state sales taxes (MRSC, 2025). Colorado passed a 2025 bill increasing local lodging tax rates limits from 2% to 6% (Tann, 2025), while Montana permits specific local resort sales taxes on lodging in designated resort areas (MTDOT, 2025). Wyoming, Idaho, and Utah all allow for voter-approved local lodging taxes.

Table 1: Statewide Lodging Tax Rates Across the U.S. (2024)

State	Rank	Sales Tax Rate	Lodging Tax Rate	Total Rate	State	Rank	Sales Tax Rate	Lodging Tax Rate	Total Rate
Connecticut	1	-	15.00%	15.00%	South Dakota	21	4.50%	1.50%	6.00%
Maine	2	5.50%	9.00%	14.50%	Texas	21	-	6.00%	6.00%
Hawaii	3	4.00%	10.25%	14.25%	West Virginia	21	6.00%	-	6.00%
Rhode Island	4	7.00%	6.00%	13.00%	Ohio	29	5.75%	-	5.75%
New Jersey	5	6.63%	5.00%	11.63%	Massachusetts	30	-	5.70%	5.70%
Vermont	6	-	9.00%	9.00%	Arizona	31	-	-	5.50%
Arkansas	7	6.50%	2.00%	8.50%	Utah	32	4.85%	0.32%	5.17%
New Hampshire	7	-	8.50%	8.50%	New Mexico	33	5.13%	-	5.13%
Delaware	9	-	8.00%	8.00%	Iowa	34	-	5.00%	5.00%
Idaho	9	6.00%	2.00%	8.00%	North Dakota	34	5.00%	-	5.00%
Montana	9	-	8.00%	8.00%	Wisconsin	34	5.00%	-	5.00%
Indiana	12	7.00%	-	7.00%	Wyoming	34	5.00%	-	5.00%
Kentucky	12	6.00%	1.00%	7.00%	North Carolina	38	4.75%	-	4.75%
Mississippi	12	7.00%	-	7.00%	Oklahoma	39	4.50%	-	4.50%
South Carolina	12	5.00%	2.00%	7.00%	Louisiana	40	4.45%	-	4.45%
Tennessee	16	7.00%	-	7.00%	Virginia	41	4.30%	-	4.30%
Minnesota	17	6.88%	-	6.88%	Missouri	42	4.23%	-	4.23%
Kansas	18	6.50%	-	6.50%	Alabama	43	4.00%	4.00%	4.00%
Nebraska	18	5.50%	1.00%	6.50%	Georgia	43	4.00%	-	4.00%
Washington	18	6.50%	-	6.50%	New York	43	4.00%	-	4.00%
Florida	21	6.00%	-	6.00%	Nevada	46	-	3.38%	3.38%
Illinois	21	-	6.00%	6.00%	Colorado	47	2.90%	-	2.90%
Maryland	21	6.00%	-	6.00%	**Oregon**	**48**	**-**	**1.50%**	**1.50%**
Michigan	21	6.00%	-	6.00%	Alaska	49	-	-	0.00%
Pennsylvania	21	-	6.00%	6.00%	California	49	-	-	0.00%

Source: (Hazinski & Ferguson, 2024)

Oregon's TLT and Lodging Spending

Key takeaway: Oregon's lodging spending shows continuous growth through multiple TLT adjustments (1% to 1.8% to 1.5%), finding no correlation between modest tax rate changes and visitor spending patterns.

In 2016, Oregon's TLT increased from 1.0% to 1.8% and was lowered to 1.5% in 2020. Over the same period, visitor and lodging spending grew consistently with the exception of a significant dip in spending during the COVID-19 pandemic. By 2022, spending had recovered, exceeding pre-pandemic levels. The data shows no discernible correlation between TLT rate changes and visitor spending patterns (see Figure 1).

Figure 1: Oregon Lodging and Total Visitor Spending (2016-2023)

Source: (Oregon, 2024)

Table 2 illustrates the estimated tax revenues generated between 2016 and 2023 (tax revenues estimates by authors). Notably, despite 12% higher lodging spending in 2019 compared to 2023, revenue collections in 2023 were lower because of the reduced TLT rate. This data demonstrates that while adjustments to tax rates appear to have no impact on visitor spending, they can have a substantial impact on public revenue.

Table 2: Estimated Tax Revenue Generated (2016-2023)

Year	Lodging Spending ($ billions)	TLT Rate	Estimated Tax Revenue ($ millions)
2016	$5.09	1.8%	$91.6
2017	$5.38	1.8%	$96.8
2018	$5.61	1.8%	$101.0
2019	$5.81	1.8%	$104.6
2020	$3.15	1.8%	$56.7
2021	$5.16	1.5%	$77.4
2022	$6.47	1.5%	$97.1
2023	$6.52	1.5%	$97.8

Source: (Oregon, 2024)
Note: Tax revenue figures estimated by the authors

Neighboring States

Key takeaway: Neighboring states with lodging tax rates 2-5 times higher than Oregon's consistently demonstrate comparable or stronger growth in lodging spending with no discernable adverse effects on outdoor economy performance.

Tourism and outdoor recreation are major contributors to the economies and budgets of states across the western U.S. Tourism related revenue, including lodging taxes, fund a variety of initiatives – for instance, Idaho's dedicated tourism marketing programs and Utah's outdoor recreation grant system that supports tourism and natural infrastructure.

Table 3 and Figures 2 and 3 show statewide lodging tax rates compared to the outdoor recreation economy as a share of state GDP and to growth in lodging spending over time. One concern with increasing Oregon's TLT is that competition among states on costs would drive visitor spending to states with lower tax rates. The state with the highest lodging tax rate (8%), Idaho, experienced the most rapid growth in visitor spending. Oregon, with the lowest lodging tax rate (1.5%), underperformed its peers in terms of the size and growth of the outdoor recreation economy and spending, suggesting that tax rates are not correlated with visitor spending.

Table 3: Summary of Neighboring States

State	Total Rate	Outdoor Economy (% of State GDP)	Total Lodging Spending of Most Recent Year (in billions)	Lodging Spending Growth from 2018-23 (%)
Oregon	1.50%	2.6	6.52	16.2
Washington	6.50%	2.8	5.05	13.7
Idaho	8.00%	3.3	3.13	57.3
Wyoming	5.00%	4.1	2.82	34.9
Colorado	2.90%	3.2	6.30	31.3
Utah	5.17%	3.4	3.28	47.7

Source: (BEA, 2023; Colorado, 2024; Economics, 2022; Hazinski & Ferguson, 2024; Idaho, 2024; Leaver, 2024; Oregon, 2024; WTMA, 2023; Wyoming, 2024)
Note: Montana was excluded due to incomplete lodging spending data, while California was omitted due to its lack of a statewide lodging tax.

Figure 2: Lodging Tax Rates Compared to the Outdoor Economy

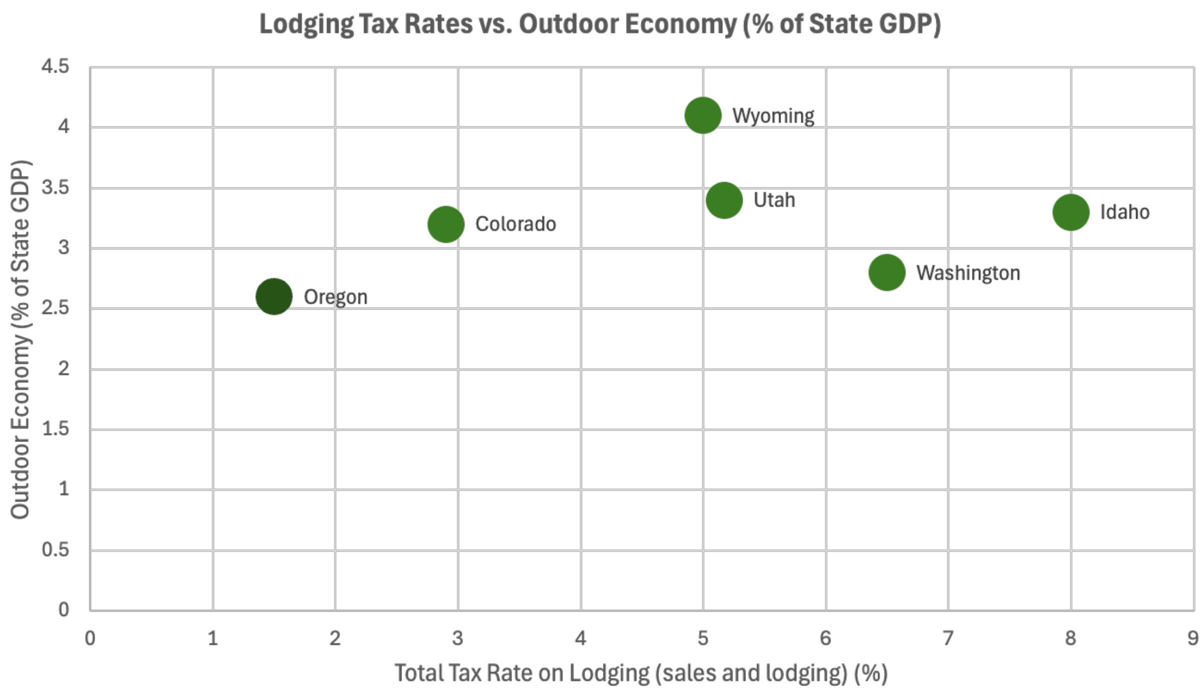
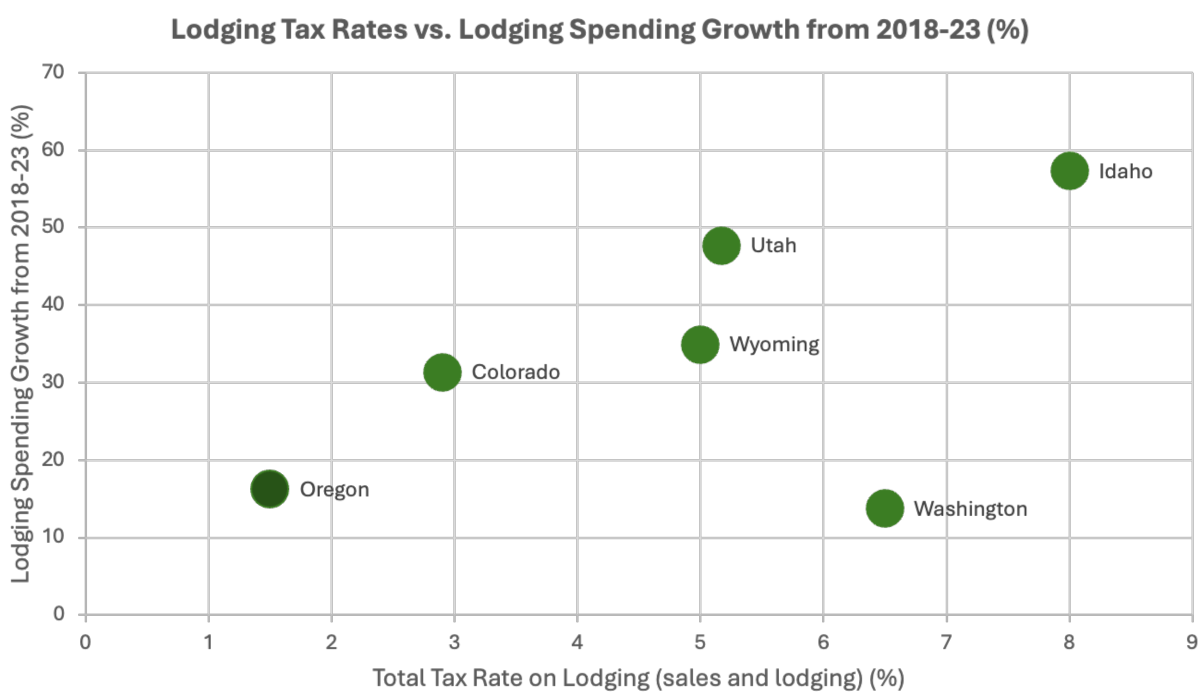


Figure 3: Lodging Tax Rates Compared to Lodging Spending Growth



Literature Review

Key takeaway: Scholarly literature consistently demonstrates that strategic public investments in "quality of life" amenities (including natural infrastructure such as wildlife, land, and water) function as more effective drivers of local economies than marginally lower tax rates.

Traditional tax incentives prove ineffective for economic development
Traditional economic development policies often use lower taxes and tax incentives, measures frequently characterized as "business friendly", to attract private investment, boost employment, and increase wealth (Malizia et al., 2021). However, recent research from economic policy studies suggests these approaches are not effective in creating lasting economic development, especially in non-metropolitan areas. Short term strategies of lower tax rates, business incentives, and weak environmental regulations have proven to have little impact to business development, often causing negative economic effects (Bartik, 2024; Weinstein et al., 2023). One study found that 75% of tax incentives don't influence business location decisions, characterizing them as "all cost and no benefit" (Bartik & Austin, 2019). Another study showed that traditional business incentives only influence 2-25% of business location decisions, meaning that in 75-98% of cases, businesses would have made the same decision without the incentive (Bartik, 2018).

Place-based investments create good places to live and attractive business environments
"Place-based" economic development demonstrates that strategic public investments in amenities, infrastructure, and resources create communities that simultaneously excel as good places to live and good places to do business (Bartik, 2020; Hicks et al., 2025). Research points to "quality of life" amenities – such as recreation opportunities, natural amenities, and public services like schools, infrastructure, and transportation – as much more powerful contributors to local economies. Weinstein (2023) found that people are willing to pay higher housing prices in places with amenities that a higher tax rate affords (i.e. good schools and natural parks). This same study demonstrated that higher quality of life drives both population growth and employment growth more than quality of business environment (Weinstein et al., 2023). In short, people choose to live where there is a high quality of life. When people want to live in a community, jobs and economic growth follow.

Tax reductions diminish funding for amenities
Lower state or local taxes instead reduce available public funding for these quality of life amenities. Even when incentives create jobs, they often bring workers from outside the region, which raises costs to public services, offsetting 90% of revenue gains (Bartik & Austin, 2019). As Hanson (2021) notes, effective economic development occurs "when tax collection is in line with service provision" (Hanson, 2021). This principle is particularly relevant to tourism economies, where public investment can directly enhance visitor experiences. Uysal and Sirgy (2019) apply this approach to the tourism industry, finding that state-led investment into tourist sectors increases both sales and jobs in the tourism sector (Uysal & Sirgy, 2019).

Quality of life investments foster regional cooperation over harmful competition
Quality of life investments promote regional cooperation instead of pitting communities against each other. Areas that narrowly focus on business incentives create harmful competition between

neighboring communities, damaging the entire region's economy. In contrast, when communities invest in quality of life, the benefits extend beyond their borders, primarily through job creation. Each community benefits not only from its own amenities but also from those developed by its neighbors, creating a positive economic impact that lifts the entire region (Weinstein et al., 2023).

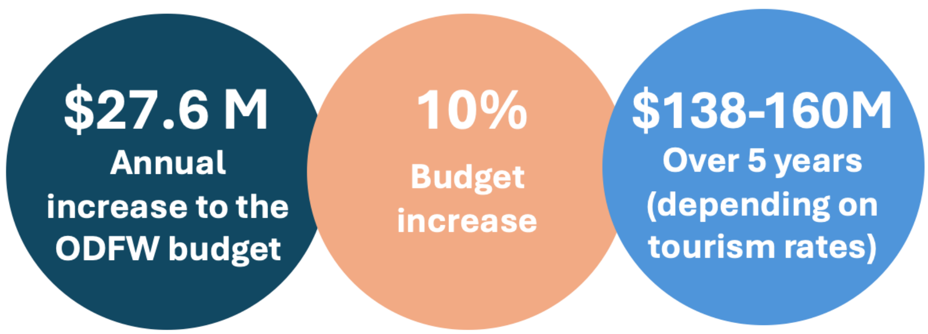
Rural economies benefit most from quality of life investments

These benefits are especially pronounced in rural areas, where quality of life investments have been shown to have even stronger effects on economic outcomes. While people may not explicitly move to states with higher tax rates, they do move to places with public amenities that taxes support, including educational systems, public infrastructure, and natural amenities (Hicks et al., 2025).

TLT Revenue Estimate

Assuming no change in visitor spending, a 1% increase in the TLT will generate approximately **$27.6 million annually**, representing a 10% increase to ODFW's annual budget. The five-year total revenue under a 0% tourism growth scenario will generate $137.9 million. If the tourism sector grows 5% annually over five years, the expected revenue for ODFW will be $160 million.

Figure 4: Impact of a 1% TLT Increase



HB 2977 may also deliver stability to ODFW's wildlife conservation efforts. Currently, 38% of ODFW's 2023-25 Legislatively Adopted Budget ($213.5 million annually) comes from federal funding sources. If federal funds are reduced, many of the conservation initiatives, research, and habitat projects could be potentially reduced or cut. For example, ODFW's budget specifically allocates $41.4 million from the Infrastructure Investment and Jobs Act (IIJA) for fish and wildlife habitat. IIJA programs have become particularly vulnerable in 2025 (Kelly & Smith, 2025). The annual $27.6 million from the TLT increase could replace 26% of ODFW's federal funding if eliminated completely, providing state-controlled, predictable revenue shielded from federal budget fluctuations or policy shifts (ODFW, 2023a, 2023b).

Lessons for Oregon’s HB 2977

The literature on taxes and quality of life investments strongly suggests that a small increase in the TLT with the revenue used to fund fish, wildlife and habitat investments that improve quality of life and visitor amenities will not decrease tourism spending. It is more likely that HB 2977 will lead to faster growth in visitor spending and a larger outdoor recreation economy in Oregon. The evidence and literature suggest HB 2977 will be an effective and cost-efficient strategy to invest in Oregon’s environmental health and quality of life, investments that will support a growing outdoor recreation economy in the state.

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