



STRENGTH IN UNITY

May 8, 2025

House Committee on Revenue
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

RE: Local Lodging Tax Flexibility

Dear Chair Nathanson and Members of the Committee,

The Oregon Mayors Association supports HB 3962-2.

HB 3962-2 adds “tourism-impacted services” as an allowable use in the restricted 70% portion of local lodging tax funds. These services include public safety (fire, EMS, and police) and community infrastructure (water, wastewater, transportation, parks, trails and public amenities).

There are over 100 cities that worked to get their local communities’ support to levy a transient lodging tax. Transient lodging taxes are paid by visitors who primarily stay in hotels, motels and short-term rentals, but also levied on those visiting campgrounds. The local lodging tax can be collected by hotels who receive 5% of the top for their administration of collection. Cities have been charging lodging taxes since the 1940s.

In 2003, the state passed a preemption on local transient lodging taxes that established restrictions around how local lodging tax dollars could be spent, requiring at least 70% of new or increased taxes to go toward tourism promotion and tourism-related facilities and reserving the remaining 30% for local discretionary spending. Any taxes prior to 2003 were frozen to any percentage dedicated to tourism. Cities cannot decrease that percentage dedicated to tourism even if it is on a tax prior to 2003. Some cities had less than 70% dedicated to tourism, but others had more than 70% frozen of their pre-2003 tax and they cannot change that. So even adding allowable uses tied to tourism impacted services to the 70% of after 2003 new or increased taxes will not completely get rid of money going to tourism from cities though it may lessen it, but this bill doesn’t mandate cities make any changes.

HB 33962-2 just gives cities options they have not had for 22 years with current restrictive definitions to right size the spending of lodging taxes on tourism. Cities employ economic development experts who are focused on maintaining the economic vitality of a community, which includes being good partners to our friends in the tourism industry. Additionally, tourist trends have changed in the last 20 years, more tourists are staying in vacation rentals through Airbnb and VRBO, not hotels and motels, that increase use of community infrastructure in neighborhoods not tourists areas of a community like the downtown core. Cities should be given



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the tools to use a tax paid by these visitors to deal with their impacts on services and infrastructure that residents and visitors alike depend on.

We urge your support of HB 3962-2!

Respectfully,

Henry Balensifer III
President, Oregon Mayors Association