

Hotel Room Occupancy Tax Proposal
Testimony of Barbara Gilbert
Proposed House Bill No. 5027
February 18, 2009

Talking Points for Analysis

The proposal to increase the hotel room occupancy tax an additional 4% is a user fee tax offering the least impact to the CT citizenry. The majority of this proposed user fee tax will be supported by out-of-State travelers and out-of State vacationers. This is not the case for alternative tax increase proposals such as the sales tax, gasoline tax and income tax.

The current State hotel room tax is 12%. This proposal would increase the total hotel room tax to 16%, bringing it in-line with taxes and fees levied by New York, Massachusetts and Rhode Island. It is highly unlikely for travelers passing through CT on their way to another State to bypass an overnight stay in a CT hotel or motel due to an additional \$6. It is highly unlikely that businesses will stop sending their trouble shooters, sale personnel, etc. to their CT subsidiaries due to an additional \$6 per night. It is highly unlikely that vacationers will opt to bypass Connecticut's natural, historical and cultural resources due to the cost of a hotel room.

- *3% of the increase will be retained by the municipality in which the rooms are located;*
- *1% of the increase will be retained by the State to be utilized for a municipal revenue sharing pool for those municipalities that do not have rooms located within their jurisdictions;*

Examples:

Town of Rocky Hill (4%)

Total Number of Rooms: 478

Assume Average Room Rate: \$150

Estimated Occupancy Rate: 80%

*Estimated Days Open: 350 days per year**

- $\$150$ (room rate) \times 3% (proposed tax increase/room) = $\$4.50$ (increased tax revenue/room)
 - $\$4.50$ (increased tax revenue/room) \times 478 (total rooms) = $\$2151$ (increased tax revenue)
 - 350 (days open) \times 80% (occupancy rate) = 280 days/year
 - $\$2151$ (total increased tax revenue) \times 280 (days) = $\$602,280$ (total annual increased tax revenue)
- This is equivalent to one third of a mill to the average homeowner on a house assessed at \$200,000 is equal to a savings of \$60 per year in property tax, while it may be small it all goes toward a decrease in motor vehicles taxes.*

State of CT (1%)

- $\$150$ (room rate) \times 1% (proposed tax increase/room) = $\$1.50$ (increased tax revenue/room)
- $\$3$ (increased tax revenue/room) \times 478 (total rooms) = $\$1434$ (increased tax revenue)
- 350 (days open) \times 80% (occupancy rate) = 280 days/year
- $\$1434$ (total increased tax revenue) \times 280 (days) = $\$401,520$ (total annual increased tax revenue)

Greater Hartford (4%)

Total Number of Rooms: 6000

Assume Average Room Rate: \$150

Estimated Occupancy Rate: 80%

Estimated Days Open: 350 days per year

- $\$150$ (room rate) \times 3% (proposed tax increase/room) = $\$4.50$ (increased tax revenue/room)
- $\$4.50$ (increased tax revenue/room) \times 6000 (total rooms) = $\$27,000$ (increased tax revenue)
- 350 (days open) \times 80% (occupancy rate) = 280 days/year
- $\$27,000$ (total increased tax revenue) \times 280 (days) = $\$7,560,000$ (total annual increased tax revenue)

State of CT (1%)

- $\$150$ (room rate) \times 2% (proposed tax increase/room) = $\$1.50$ (increased tax revenue/room)
- $\$3$ (increased tax revenue/room) \times 6000 (total rooms) = $\$9,000$ (increased tax revenue)
- 350 (days open) \times 80% (occupancy rate) = 280 days/year
- $\$9,000$ (total increased tax revenue) \times 280 (days) = $\$2,520,000$ (total annual increased tax revenue) to be distributed on a per capita basis to those communities that do not meet an legislatively established threshold.

**Note: Estimated Days Open does not take into consideration any seasonal lodging variations*