

HOTEL ROOM OCCUPANCY TAX PROPOSAL

Testimony of John L. Salomone

Proposed House Bill No. 5027

February 18, 2009

Thank you for the opportunity to speak before the Committee today concerning the addition of a 4% increase on the hotel room occupancy tax for the state of Connecticut. As you know, the present tax is 12% in the state of Connecticut. Our proposal would increase the tax to 16% which would enable the tax to be uniform among the states in the region, including New York, Massachusetts and Rhode Island. I would propose that the 4% additional tax be allocated by the State as follows:

3% to the local municipality

1% to either the State or the region

I believe that the occupancy tax is the fairest device to raise additional income for the State and local governments without putting undue burden on local or state taxpayers. Although I am not an expert in conventions or hospitality services, I believe that having a uniform rate in the region should not adversely affect occupancy rates within hotels and motels in the state and would allow for a diversification of revenue that cities and towns could rely on besides the present grants offered by the State to local governments.

In the case of the Town of Newington there are 11 hotels/motels which total some 449 rooms. The room rates vary from a high of approximately \$140/night to a low of approximately \$45/night depending on the hotel/motel. A conservative estimate would put the annual revenue for these hotels/motels at approximately \$4,562,000. An additional 4% of this revenue would yield approximately \$182,000 of additional revenue, with the region receiving 25% of this additional revenue and the Town receiving 75%.

In summary, I believe that increasing the occupancy tax and sharing it with the host communities as well as the region would diversify the revenue stream in the state and allow cities and towns to further their goals to have less reliance on the property tax and State revenue.

I would be happy answer any questions that you have on this topic.