

**TESTIMONY PRESENTED TO COMMITTEE on FINANCE, REVENUE &
BONDING
March 15, 2008**

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Testimony Regarding

**Senate Bill 436
AN ACT CONCERNING MUNICIPAL REVENUE
and**

**House Bill 5483
AN ACT ESTABLISHING A REGIONAL HOTEL TAX**

Senator Daily, Representative Staples and distinguished members of the Finance, Revenue and Bonding Committee: my name is Karen J. Senich and I am the Executive Director for the Connecticut Commission on Culture and Tourism, whose mission is to preserve and promote all of Connecticut's cultural and tourism assets in order to enhance the quality of life and the economic vitality of the state. I appreciate the opportunity to testify regarding Senate Bill 436 - An Act Concerning Municipal Revenue and House Bill 5483 - An Act Establishing a Regional Hotel Tax.

Senate Bill 436 would allow any municipality to impose, among other taxes, a tax on food and beverages, amusements and hotel occupancy. House Bill 5483 would allow a regional planning organization to impose a hotel occupancy tax. Neither bill proposes to return the tax revenue to the industry that generates it - tourism. Historically, the occupancy tax, or a portion thereof, was invested back into the tourism industry to perpetuate the return on investment.

Allowing a municipality or region to impose its own occupancy tax, food and beverage tax or amusement tax would make that hotel, restaurant or attraction less competitive with respect to other businesses located in Connecticut or outside the state. My concern is that any such tax increase will cause Connecticut to actually lose revenue.

With regards to a hotel tax, for example, a convention or meeting planner, group tour operator or travel agent looks at the cost of a hotel in total, including the taxes. When a Connecticut municipality is allowed to impose additional taxes that make the cost of a particular hotel much higher than that cost of a similar

establishment in a surrounding state, the planner or agent will look elsewhere. Not only will Connecticut lose hotel tax revenue if a decision is made to hold a convention or travel elsewhere, individual visitors may decide not to return to a particular hotel or any in the state upon learning of the total cost. Thus, we will lose the return visitors. Increases to food and beverage taxes and amusement taxes could have the same chilling effect on the state's revenue and the individual businesses' revenue. Additionally, like the hotel tax, these tax increases would impact Connecticut residents as well as out of state visitors.

An additional tax will negatively impact jobs and hotel occupancy and sales tax receipts. According to a study published in 2008 by the American Hotel & Lodging Educational Foundation, on average a 2% increase to the hotel tax would cause a reduction in room sales and associated visitor spending unless countered by an increase in promotional spending. This reduction will spill into every sector of the economy and cost jobs.

As a result, I urge you to consider the revenue loss in determining whether these proposals should move forward.