



**To:** Honorable Representative Linda Gentile  
Honorable Senator Steve Cassano  
Committee on Planning and Development

**From:** Chuck Moran, Legislative Chair for the Connecticut Lodging Association

**Date:** March 3, 2011

**Subject:** Raised Bill No. 5782 - An Act Concerning the Hotel Tax

Good afternoon Senator Cassano, Representative Gentile and members of the planning and development committee. My name is Chuck Moran, I am Past President of the Connecticut Lodging Association and General Manager of the Courtyard by Marriott, Cromwell. The Connecticut Lodging Association is here to express our concerns regarding a significant increase in the hotel tax as in HB5782 An Act Concerning the Hotel Tax.

The proposed bill raises two serious concerns for the Connecticut lodging industry:

1. Why is the lodging industry once again being targeted to produce additional tax revenue when the state has abandoned the industry by reducing state tourism marketing funding to one dollar?

The lodging and tourism industry would be an effective tax revenue generator if the state's occupancy tax funds were utilized as they were intended, with a percentage going to market the state as a travel destination. Leisure, business, and group travelers need to know that Connecticut has all of the attractions, hotels and transportation to meet their needs. With state tourism marketing being funded in name only, the proposed tax increases will not produce the desired results. If you want more revenue from the travel industry, you MUST fund marketing. Increasing taxes while our occupancy and rates continue to decline will not cover the shortfall.

According to year end data provided by Smith Travel Research, the Connecticut lodging industry suffered a 10% decrease in occupancy and a decline in revenue of 15% in 2010. Both declines are higher than average declines experienced by New England and the US overall. Connecticut's Lodging Industry is operating well below the 65% occupancy needed to break even. Employment in the tourism and entertainment sector has lost over 4000 jobs in the last two years. Many hotels have lost their "flag" meaning their ability to align with a national brand. Tragically some have closed and others are operating as SRO's. These are not images that create higher occupancy, new jobs and revenue growth.

2. It is critical for tax rates to be standardized to maintain parity for all businesses, not just lodging establishments, within the state.

To have regions competing against each other to lure new businesses, travelers, investment, etc. without tax parity creates an inequality that is difficult to overcome. The current tax laws are already a barrier to economic development. Adding another level of taxation will be detrimental in terms of both attracting new and retaining existing businesses.

Rather than raising taxes, the legislature needs to encourage economic growth in the existing industries to raise revenue. Increased taxes are a shortsighted fix and will fail to achieve any of the desired results. The old adage "You have to spend money to make money" has been around forever because it has been true forever. If you want to increase revenue generated by the travel industry, you have to spend money on tourism marketing.

The lodging industry has repeatedly demonstrated the ability to produce results when appropriately funded. Tourism is not, however, a magical goose with an endless supply of golden eggs. An increased tax burden coupled with a state tourism marketing budget of one dollar undermines the industry and all the people who work in it every day.

The Connecticut lodging industry would support an intercept tax funding mechanism that supports the hospitality/tourism industries. The industry is deeply concerned that the current tax revenues generated by the occupancy tax do not go to support the lodging industry. The lodging industry has seen significant loss of full-time jobs, reduction of hours for part-time staff and essentially elimination of on-call positions over the last 18 months.

The Connecticut Lodging Association can assist in the state's efforts to bridge the budget gap, but NOT through just additional taxation. We have a great opportunity to put the lodging and tourism industry on a positive footing in this state. We welcome the opportunity to work with you to achieve that mutual goal.