

TESTIMONY  
FOR  
COMMERCE COMMITTEE

TUESDAY, MARCH 16, 2016

ROOM 1C, LOB

TESTIFIER NAMES: TED AND CAROL MATSUMOTO

RE: HB 5576 (RAISED) AN ACT...AND THE APPLICATION OF A  
FLAT-RATE OCUPANCY TAX TO BED AND BREAKFASTS

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We are Ted and Carol Matsumoto from Preston, CT. We own a seven room bed and breakfast called Captain Grant's, 1754, in between the casinos and in the Greater Mystic Tourism District. We have been in business for 21 years and hope to continue for many more.

We are here today to support the change in tax rate for B&Bs and would like to provide rationale for why it is good idea for the B&B industry, for CT tourism and for the State tax coffers.

It makes sense to separate B&Bs from hotels for tax purposes for several reasons. One reason is clientele. Hotel clientele have a high percentage of business travelers who are on expense account. They're not pay the lodging tax and probably don't care what it is. B&B guests, on the other hand, are predominantly tourists . They are largely middle class people who pay their own way. They are also strong patronizers of other small local businesses – restaurants, wineries,

shops, and area attractions. In fact, the Professional Association of Innkeepers International estimates that the average B&B visitor spends \$478 in the community...moneys that also generate tax revenue for the State.

The business models for B&Bs are also quite different from those of hotels. Hotels typically have 30 to 150 rooms, have occupancy rates of 57%(courtesy of the CT Lodging Assn), and many enjoy national advertizing and national booking services. B&Bs, on the other hand, typically have less than 8 rooms, have 20-30% occupancy rates(according to Bed and Breakfasts of the Mystic Coast and Country), and pay their own advertising. B&Bs heavy reliance on the tourism traffic means they need help to get more tourists to CT.

One way to do that is to reduce the B&B lodging tax. CT has the highest lodging tax in New England and NY: MA-5.7%, ME-7%, VT 9%, NH -9%, RI- 7%, NY 5.8%. Right now the CT lodging tax drives tourists to other states. If it can be reduced here, CT will be more tourist-friendly.

You may have already done the math but I would like to suggest how much the lowering of the lodging tax for B&Bs would impact State income. The CT Lodging Assn estimates CT receives about \$130M annually in lodging tax of which the B&B portion is about \$1M. Therefore a tax reduction from 15% to 10% would reduce B&B lodging tax revenues by about \$340K. This loss in lodging tax income would be made up if the lower tax attracted 700 more tourists to CT in one year who spent an average of \$478 at local businesses. And that is very possible.

When CT takes action to make tourism more attractive, the State benefits and many small businesses, including B&Bs, benefit. In all honesty B&Bs across CT have been struggling to survive or be more successful. About 10% of CT B&Bs have closed or became more seasonal in the last year. There is more hotel competition, especially around the casinos, and the emergence of over 300 AirBnBs in CT who do not get licensed, fire inspected, or pay lodging taxes. This increases pressure on legitimate B&Bs.

While the issue we have addressed is a small part of a larger, more complex proposal, we urge the legislators to pass this B&B provision in this legislative session either as part of this bill or as a standalone bill.

Thank you for your time and attention.