Tourism Growth Incentive Grant

The State of Connecticut currently imposes a room occupancy tax of 15% for hotels and motel stays and 11% for bed and breakfast stays. See CGS Section 12-408 and 12-411. All revenue collected by the state is placed in the general fund. Connecticut's room occupancy tax rates are the highest in the United States.

Municipalities receive no portion of this revenue nor are municipalities empowered to levy an additional local room occupancy tax. Several legislative efforts to allow municipalities to collect a room tax have been unsuccessful. The reluctance of the legislature to permit municipalities to impose a local room tax is understandable in that any additional burden imposed upon guests is likely to have a negative impact on the Connecticut tourism industry.

Because a local hotel's revenue is one consideration that may factor into a real property tax assessment, there is in theory a financial incentive for a municipality to promote the success of its hotels, but such an incentive is modest at best.

In 2017, gross room occupancy receipts statewide were $820,616,056 which resulted in $123,644,160 in revenue to the state of Connecticut. If municipalities had an incentive to promote hotel stays within their communities, not only would local hotels benefit from the increased receipts but the state would see a marked increase in revenue.

The proposed bill would direct that each Connecticut municipality receive an annual tourism incentive grant from the state in an amount equivalent to 50% of the revenue generated by hotels and bed & breakfasts in the municipality above and beyond the revenue generated from hotels and bed & breakfasts in the community in 2018. Since these payments are only payable in the event of incremental growth over the 2018 baseline, there is no potential for state revenue loss. The new revenue realized from any growth would be shared equally between the state and the municipalities. This bill would assist municipalities with revenue diversification without any burden (and in fact a benefit) to the state. More importantly, it places no additional burden on consumers.

Since 2018 figures are not yet available, the below figures use 2017 numbers.

A 5% increase in receipts statewide would produce $41,030,802 in additional gross receipts over 2017 amounts. That increase would produce $6,154,620 in new revenue which would be divided equally among the state and the municipalities.

For a local example, in 2017 Windsor Locks hotels produced $35,531,154 in hotel receipts which resulted in state revenue of $5,329,672. A 5% increase in Windsor Locks hotel receipts would produce and additional $266,484 for the state and $266,484 for the Town of Windsor Locks.

These results would be accomplished with no new taxes, no increase in tax rates, no additional burden on hotel consumers and a revenue boost for our local hotels, state and municipalities.

Respectfully submitted,

J. Christopher Kervick
First Selectman,
Windsor Locks, CT