



February 11, 2014

The Honorable David Deen
Chairman, Committee on Fish, Wildlife and Water Resources
State House
Montpelier, VT

Re: Meals & Alcohol Tax Increase - H.586

Dear Representative Deen,

Please consider this letter as official testimony in opposition to Section 19 of H.586, introduced by the Committee on Fish, Wildlife and Water Resources which addresses cleaning-up the waters of the state. The most recent version of this bill includes a half-percent increase in the meals tax and a half-percent increase in the on-premise alcohol tax, replacing the 10-cent excise tax on those products which are “flushed” into the waters of the state.

Increasing the tariff on diners' and restaurant bills to 9.5% and 10.5% percent respectively would make this tax the highest in the region. Recognizing that margins are slim in the restaurant industry and that restaurants can't afford to charge more for their food and alcohol, the Vermont Chamber opposes these increases.

Small hospitality businesses, such as B&B's, country inns, restaurants, and attractions are the backbone of Vermont's economy, as well as a significant component of the “Vermont brand” and experience. In order for Vermont to maintain and increase its market share, this highly competitive industry needs to maintain and increase its regional visibility. This has become increasingly difficult as Vermont has seen a level funded promotional budget for the Vermont Department of Tourism and Marketing, and regionally we continue to spend less per capita on marketing the state to visitors.

To understand Vermont's position, below are the rates around our region which show that an increase in Vermont would put us at top in the region. Coupled with declining promotional funding, this will be harmful to Vermont's tourism industry.

New Hampshire: 9% meals tax

Massachusetts: 6.25% (with a .75% local option in some areas)

Maine: 8%

New York: 8.875%

Connecticut: 6.35%

Other pressures for these businesses include business mandates, uncertainty in health care reform costs and recent increases in unemployment insurance, putting numerous small businesses at a competitive disadvantage already. These new tax proposals would contribute to the vulnerability of the restaurant industry and therefore we oppose this language.

Sincerely,

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Vice President of Tourism

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