



February 1, 2017

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

Re: Rooms & Meals Tax Increase

Dear Representative Deen:

Please consider this letter as official testimony regarding your consideration of an increase in the rooms and meals tax as a funding source for funding the clean water plan for the state. While no formal bill or proposal has been introduced, the Vermont Chamber expresses our opposition to using this tax as a funding source. We have nearly 1,500 members throughout the state and about half of them are in the tourism industry. We are the only official partner of the National Restaurant Association and the American Hotel & Lodging Association. Our representation and knowledge of this industry is deep and broad.

Recognizing that margins are slim in the hotel and restaurant industry and these hospitality establishments can't afford to charge more for their rooms, 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. 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 decreased its tourism promotional budget steadily for the last few years and regionally we continue to spend less per capita on marketing the state to visitors.

Increasing the tariff on guest rooms and diners to 10% percent would make these tax rates the highest in the region. 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 % room tax / 9% meals tax
Massachusetts: 5.7% room tax / 6.25% meals tax
Maine: 9% room tax / 8% meals tax
New York: 5.87% room tax / 8.875% meals tax

Conventions, meetings, bus tours and social events make up a substantial part of the business model for Vermont's hotel and lodges. In addition to the rooms revenue for these programs, catering revenue from this segment of business accounts for 50% of the food and beverage revenue collected for hotels. This market segment is extremely price sensitive. Meeting and tour planners make their location decisions based on the total cost of the program. Competition from our neighboring states for this lucrative business is fierce. An increase to the rooms and meal tax would negatively affect the Vermont's hotel lodging industries ability to secure this valuable business.

Other pressures for these businesses include annual increases in the minimum wage (including the tipped wage), paid sick leave, increasing health care costs and increases in unemployment insurance all at a time when the economy is performing under 3% annually. These new tax proposals would contribute to the vulnerability of the tourism industry and therefore we oppose this language.

Sincerely,

Ronda Berns

Ronda Berns
Vice President of Tourism
Direct: 802.229.2259