



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: *Lynnise*
Lynnise Roehrich-Patrick
Executive Director

DATE: 6 January 2016

SUBJECT: Lodging Taxes—Final Report for Approval

The attached Commission report is submitted for your approval. The report responds to Public Chapter 395, Acts of 2015, directing the Commission to study the effect of hotel occupancy taxes on the economy, tourism, and the hospitality industry; compare Tennessee's hotel occupancy tax structure with other states; and consider methods to require public input before adopting lodging taxes.

Like Tennessee, most states levy a state tax on lodging—either a lodging tax or a general sales tax or in ten cases both—and most allow their local governments to tax lodging as well. In fact, 28 states including Tennessee allow some or all local governments both to levy lodging taxes and to apply their sales taxes to lodging. This layering of taxes is not unusual, although allowing city and county taxes to overlap is less common. But most states do not make these authorizations county by county and city by city. Twenty-one grant broad authorization in general law for all local governments to levy lodging taxes, and seven others broadly authorize either cities or counties to levy lodging taxes. Most cap the rates, but a few allow rates to be set locally including a handful that require referendums. Only five require public hearings on lodging tax proposals.

Although there is little evidence that Tennessee's economy or the tourism and hospitality industries are adversely affected by its lodging tax structure, there may be other reasons to reduce its complexity. Advantages and disadvantages are discussed in the report, as are options such as granting general authority up to some maximum rate, with or without an earmark, in order to reduce the number of individual requests that come to the legislature each year.