

## **POSITION STATEMENT**

### **LOCAL OPTION TAXES**

*The New Bedford Area Chamber of Commerce is a non-profit business advocacy and economic development organization. It has a diverse membership base of 1,000 businesses – primarily small and medium size - in the Southcoast region of Massachusetts. This policy position is intended to serve as guidelines for the Chamber's Government Affairs efforts and has been reviewed and approved by the Chamber's Government Affairs Committee and Board of Directors.*

Adopted: September 24, 2009

**Background:** Several communities in the SouthCoast are considering implementing a new local meals tax of .75% and up to a 2% increase in the hotel occupancy tax. These local option taxes are the result of a budget passed by the state legislature in June, 2009 which allows local communities to raise hotel taxes and implement a new local meals tax. If enacted, this would result in a total meals tax, including local and state shares, of 7% and a hotel rooms tax of up to 11.7%. According to the Massachusetts Department of Revenue, the local community may implement these new taxes as soon as October 1, 2009 if they have local approval by August 31, 2009.

**Position:** The New Bedford Area Chamber of Commerce recognizes the effects of business costs and tax burdens on businesses as well as the region's challenges in job creation. To encourage economic growth and investment, the Chamber supports fiscal tax policies designed to increase competitiveness and create jobs.

With this in mind, the New Bedford Area Chamber of Commerce opposes any efforts to authorize new local option meal taxes and increases in the local hotel occupancy tax in communities in the SouthCoast. The Chamber believes that this is an unfair tax burden on these two industries and represents poor tax policy that would have a negative impact on the local economy, already struggling with an economic downturn. In addition, the Chamber believes that:

- Those cities and towns in the SouthCoast that choose to authorize these local option taxes could put their restaurants and hotels at a competitive disadvantage with other establishments in neighboring communities that do not have these local option taxes.
- Like most businesses, local restaurants and hotels are feeling the effects of the economic crisis. But, these businesses are particularly vulnerable to these conditions given their small profit margins, unusually high operating expenses, and other unique challenges. Consumers have cut back on discretionary spending and are eating out less frequently. Stagnant sales cause cash flow problems and ultimately credit issues that make it difficult to cover investment and operating costs. Food costs have experienced double digit price increases for commodities ranging from wheat and flour to rice and corn. Upgrades and property improvement cannot take place with these financial pressures.

- Greater New Bedford has very few national hotel and restaurant chains. The majority of our restaurant and hospitality businesses are locally-owned small businesses.
- Businesses in Massachusetts are already dealing with a 25% increase in the state sales tax, which rose from 5% to 6.25%. Coupled with the state tax increase, the 7% meals tax would represent a 40% increase and the 11.7% rooms tax would represent a 20% increase.
- Hospitality and tourism are industries that several communities in our region have targeted for economic development. Implementing these local option taxes discourages job growth and investment in these industries.
- In 1990, when the hotel occupancy tax was initially implemented, a portion of the revenue from the tax was targeted for investment into tourism and promotion of the industry that generates the tax revenue. If enacted by any local communities, the New Bedford Area Chamber of Commerce believes that any local option taxes should include provisions for a local reinvestment of the increased tax revenue for the promotion of the local restaurant and hotel industries in order to sustain any potential erosion of business due to increased pricing to the customer.

*While this statement is policy as of the effective date of this document, the Chamber reserves the right to adopt changes and make modifications and additions to its policies, and will continue to monitor issues as they develop.*

*Please contact Roy Nascimento, President & CEO at (508) 999-5231 with any questions regarding this policy position.*