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Lodging, Rental Car and Meal Taxes on Travelers in the Top 50 U.S. Cities

7-31-09

The “Lodging, Rental Car and Meal Taxes on Travelers in the Top 50 U.S. Cities” is a National Business Travel Association (NBTA) report, prepared by American Economics Group (AEG) in July 2008. The NBTA report provides tax data for the “Top 50 U.S. Cities,” which are those cities that report the highest number of air passengers (full set). The report includes data for eleven (11) of the thirteen (13) cities in San Diego’s competitive set (competitive set); there is no data for **Vancouver, Canada** or **Anaheim, California**. In the following graphs and calculations, data for **Orange County, California** is used as a proxy for Anaheim.

All lodging calculations are based on a hotel rate of **\$103.70**, which was the December 2007 U.S. average daily room rate as reported by Smith Travel Research (STR)

All rental car calculations are based on an average rate of **\$76.60** single-day rental rate, before taxes and fees. This rate was calculated by AEG from a sample of rental car rates in 10 major cities in March 2008.

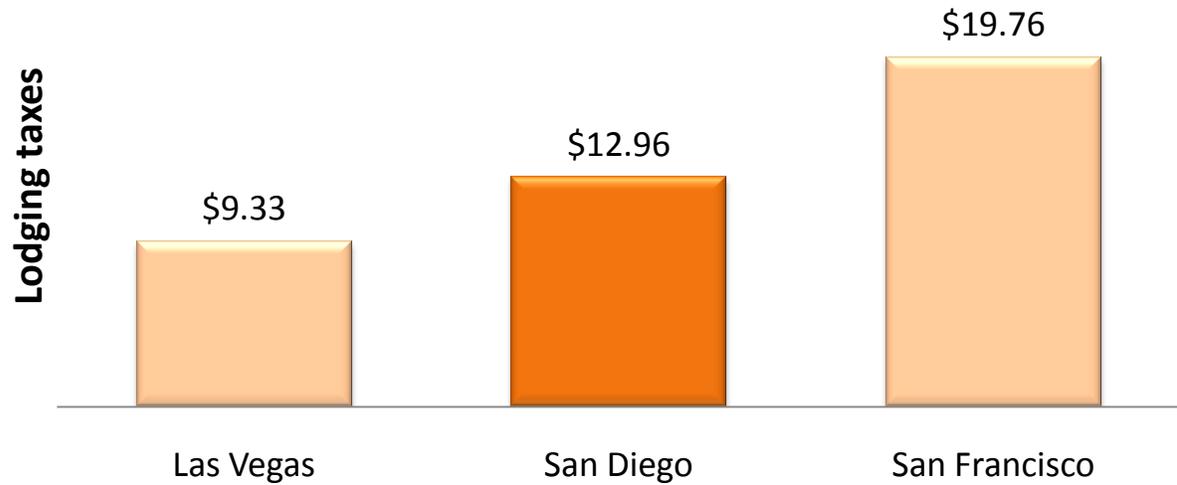
All meal cost calculations are based on an average daily meal cost of **\$82.03**, which was calculated by AEG using data for 2007-2008 from Runzheizer, *Business Travel News* and the National Restaurant Association. While the initial meal tax calculations are based on a California state sales tax of 7.75%, the calculations done by SDCTA staff take into account the new California state sales tax of 8.25%. This sales tax increase only affected meal tax calculations, as sales tax does not apply to lodging or rental cars.

Graphs 1-3 show the current tax levels for lodging, rental cars, and meals in San Diego as compared to the cities representing the highest and lowest rates overall, and the cities representing the highest and lowest rates in San Diego’s competitive set.

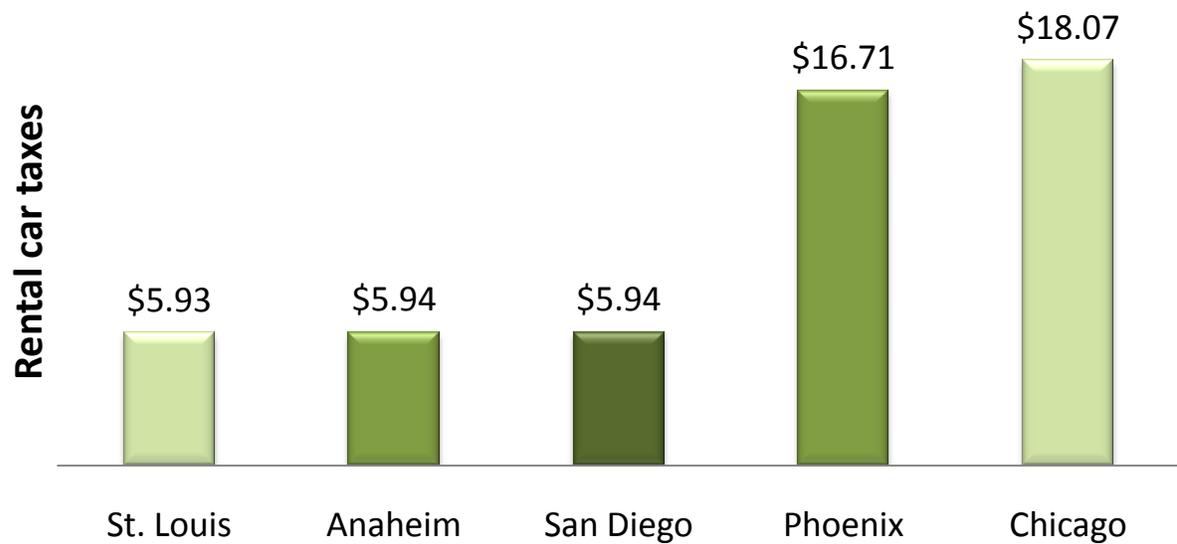
In Graph 1, Las Vegas represents the lowest lodging tax in all 50 cities included in the full set (\$9.33), and the lowest lodging tax in the 13 cities included in the competitive set. San Francisco represents the highest lodging tax in the complete set (\$19.76), and the highest lodging tax in the competitive set. San Diego currently has a lodging tax of \$12.96.

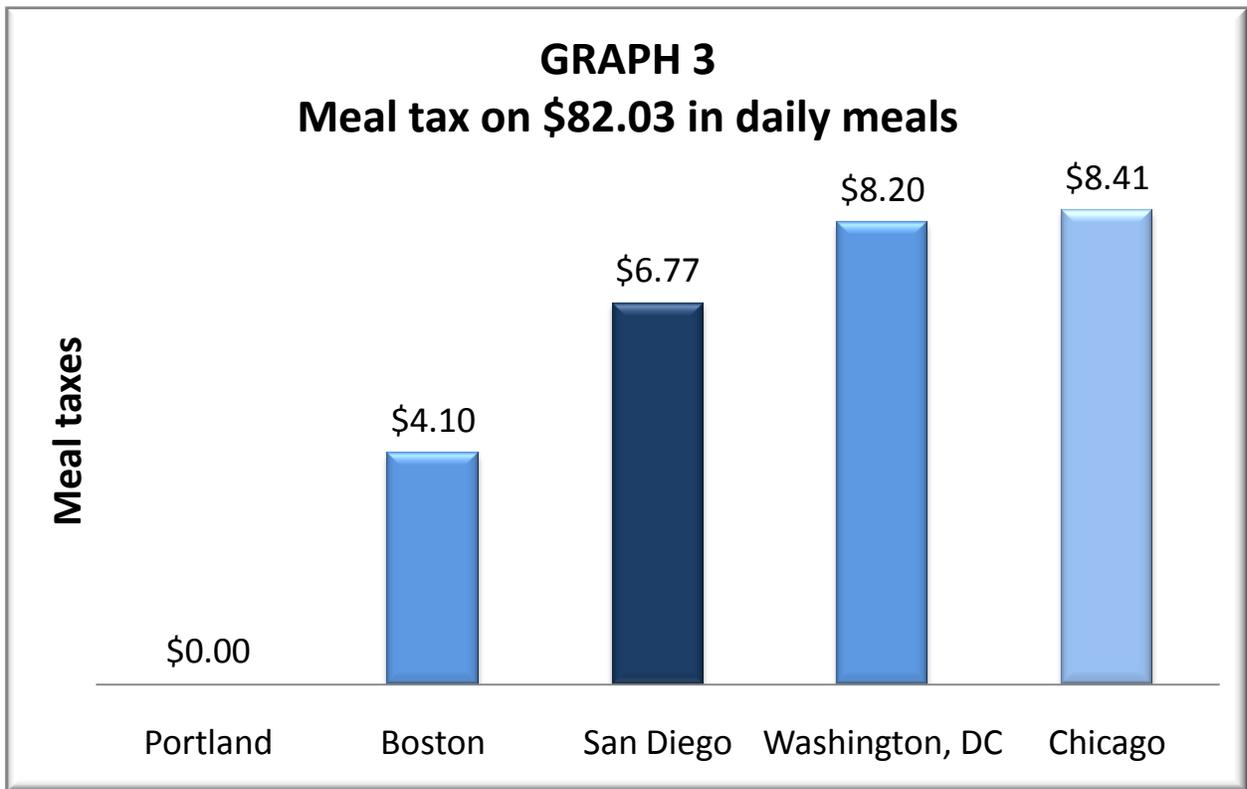
In Graph 2, St. Louis represents the lowest rental car tax in the full set (\$5.93), and Anaheim represents the lowest rental car tax in the competitive set (\$5.94). Chicago represents the highest rental car tax in the full set (\$18.07), and Phoenix represents the highest rental car tax in the competitive set (\$16.71). San Diego currently has a rental car tax of \$5.94.

GRAPH 1
Lodging tax on \$103.70 room:
highest and lowest



GRAPH 2
Rental car tax on \$76.60
one-day rental



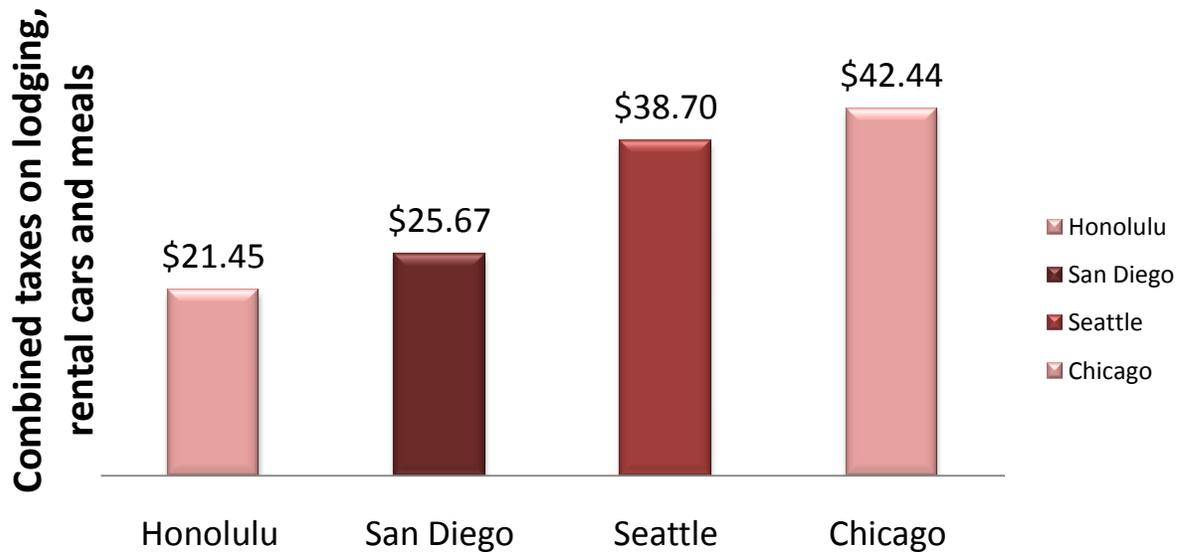


In Graph 3, Portland represents the lowest meal tax in the full set (\$0.00), and Boston represents the lowest meal tax in the competitive set (\$4.10). Chicago represents the highest meal tax in the full set (\$8.41), and Washington, DC represents the highest meal tax in the competitive set (\$8.20). San Diego currently has a meal tax of \$6.77.

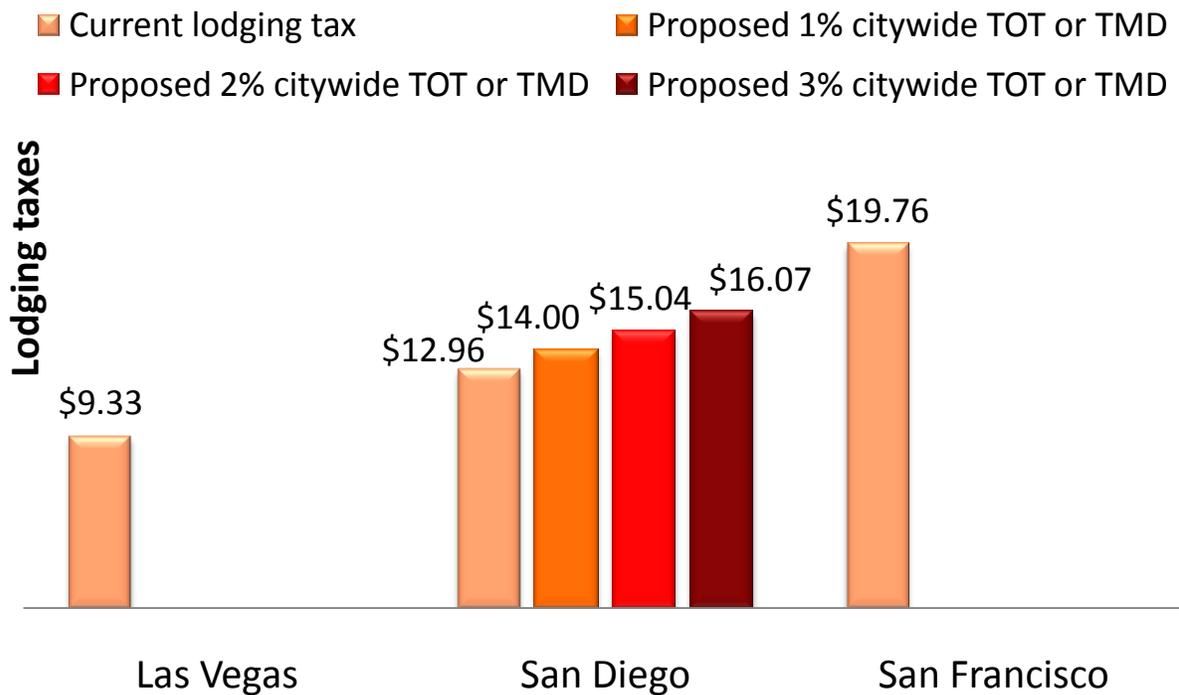
Graph 4 shows the combined tax levels for lodging, rental cars and meals. Honolulu represents the lowest combined tax level in the full set (\$21.45). Chicago represents the highest combined tax level in the full set (\$42.44), and Seattle represents the highest combined tax level in the competitive set (\$38.70). San Diego currently has a combined tax level of \$25.67.

Graph 5 shows the potential tax levels in San Diego given the citywide lodging tax increase based on the proposed visitor-related funding options in the July 6, 2009 Piper Jaffray report. This report presents three different citywide lodging tax options: a 1% citywide increase, a 2% citywide increase, or a 3% citywide increase. In Graph 5, Las Vegas represents the lowest lodging tax in the full set, and the lowest lodging tax in the competitive set (\$9.33). San Francisco represents the highest lodging tax in the full set, and the highest lodging tax in the competitive set (\$19.76). If San Diego adopts any citywide lodging tax increase, it will still have a lower lodging tax than San Francisco.

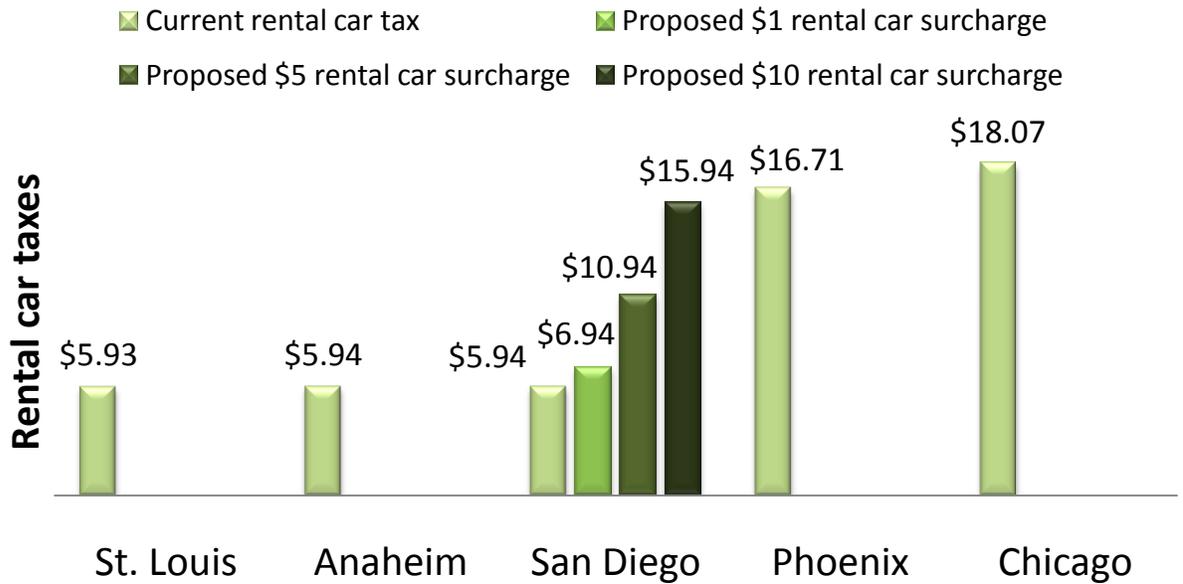
GRAPH 4
**Combined taxes on lodging,
 rental cars and meals**



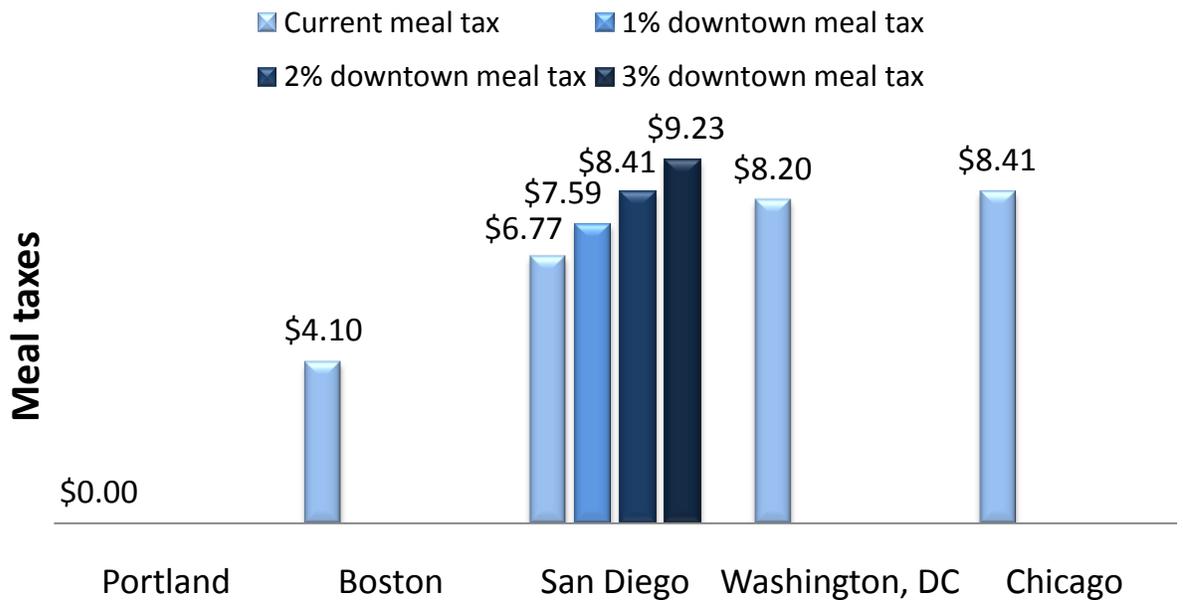
GRAPH 5
Proposed citywide TOT or TMD



GRAPH 6
Proposed rental car surcharge



GRAPH 7
Proposed meal tax



Graph 6 shows the potential tax levels in San Diego given the citywide tax increases on rental car surcharges based on the proposed visitor-related funding options in the July 6, 2009 Piper Jaffray report. This report presents three different rental car surcharge options: a \$1 per rental surcharge, a \$5 per rental surcharge, or a \$10 per rental surcharge. In Graph 6, St. Louis represents the lowest rental car tax in all 50 cities (\$5.93), and Anaheim represents the lowest rental car tax in the competitive set (\$5.94). Chicago represents the highest rental car tax in all 50 cities (\$18.07), and Phoenix represents the highest rental car tax in the competitive set (\$16.71). If San Diego adopts any of the rental car surcharges, it will still have a lower rental car tax than either Phoenix or Chicago.

Graph 7 shows the potential tax levels in San Diego given the downtown tax increase on food and beverage sales based on the proposed visitor-related funding options in the July 6, 2009 Piper Jaffray report. This report presents three downtown food and beverage sales tax options: a 1% increase on downtown meal tax, a 2% increase on downtown meal tax, and a 3% increase on downtown meal tax. In Graph 7, Portland represents the lowest meal tax in the full set (\$0.00), and Boston represents the lowest meal tax in the competitive set (\$4.10). Chicago represents the highest meal tax in the full set (\$8.41), and Washington, DC represents the highest meal tax in the competitive set (\$8.20). If San Diego adopts the 2% downtown food and beverage sales tax increase, it will have the same meal tax as Chicago (\$8.41); if San Diego adopts the 3% downtown food and beverage sales tax increase, it will have the highest meal tax in the full set (\$9.23).

Graph 8 shows the potential combined tax levels in San Diego given a hypothetical funding scenario based on the proposed visitor-related funding options in the July 6, 2009 Piper Jaffray report. The SDCTA hypothetical funding scenario includes: a 3% citywide lodging tax, a \$5 rental car surcharge, and a 3% downtown food and beverage tax. This hypothetical funding scenario would generate \$57,050,000 in funds and have a combined tax of \$36.24.

SDCTA hypothetical funding scenario				
TYPE	UNIT	FUNDS GENERATED	CURRENT TAX	PROPOSED TAX
Citywide TOT or TMD	3%	\$44,100,000.00	\$12.69	\$16.07
Rental car surcharge	\$5.00	\$5,750,000.00	\$5.94	\$10.94
Downtown F&B sales tax	3%	\$7,200,000.00	\$6.77	\$9.23
TOTAL FUNDS GENERATED/ TOTAL COMBINED TAX		\$57,050,000.00		\$36.24

In Graph 8, Honolulu represents the lowest combined tax level in the full set (\$21.45). Chicago represents the highest combined tax level in the full set (\$42.44), and Seattle represents the highest combined tax level in the competitive set (\$38.70). San Diego currently has a combined tax level of \$25.67. If San Diego adopts the SDCTA hypothetical funding scenario, San Diego would have a lower combined tax than either Seattle or Chicago.

GRAPH 8

**SDCTA hypothetical funding scenario:
3% citywide lodging tax, \$5 rental car surcharge, and 3% meal tax**

