

LEGISLATIVE ALERT

KTIA LEGISLATIVE PRIORITY ONE: Preserve the 1% Statewide Transient Room Tax for Marketing All of Kentucky

In today's newsletter we announced that KTIA's top priority issue concerns the 1% statewide transient room tax. We don't normally send out an alert prior to the start of the legislative session, but since a key element in our advocacy will be for our members to fully understand the issue, we are starting that educational phase of the effort with this alert. The early alert also serves to underscore the importance of the issue.

The Situation

An essential fuel that powers Kentucky's tourism marketing is the 1% statewide transient room tax. All Kentucky hotels and other lodging businesses are required by state law to pay the tax (KRS 142.406) "...for the sole purpose of marketing and promoting tourism in the Commonwealth..."

Despite the purpose being for statewide marketing, which is carried out by the Kentucky Department of Tourism (KDT), the 2024 General Assembly made specific appropriations called line-item appropriations that over the biennium will divert \$4 million of the tax proceeds to three local initiatives. This was not the first time these sorts of 1% fund appropriations have been made by the legislature.

Why It Matters

A continuation of line-item appropriations from 1% funds and certainly an increase in their amounts will jeopardize KDT's ability to effectively market all of Kentucky and the benefits that result from the continued growth of tourism.

As a \$13.8 billion industry that supports over 95,200 Kentucky jobs and generates \$1,0 billion in local and state tax revenue, tourism has emerged as one of Kentucky's most powerful economic engines, one that benefits all of Kentucky's 120 counties.

A major factor in tourism growth has been the overall marketing of the state. That marketing has increased awareness of Kentucky as a travel destination and has attracted increasing numbers of visitors and the economic and other benefits that they provide. Those benefits extend to all sectors of the tourism industry as well as to families and communities throughout Kentucky.

Key Points

- The statewide transient room tax is the only funding source for KDT's marketing and promotion of tourism for the state as a whole.
- The 1% transient room tax is also the funding source for a matching funds program that provides support to local tourism commissions for tourism marketing (and to other organizations for tourism marketing where there is no eligible tourism commission). In this way the 1% funds support the one-two punch of Kentucky tourism marketing – “one” originating from the state level and “two” stemming from the collective marketing of Kentucky from the local level. Reductions in 1% funds due to line-item appropriations weakens this highly effective, dual approach to marketing the state.
- In the hotly competitive tourism marketplace, Kentucky continues to lag behind numerous other competitive states in state tourism funding, a competitive handicap in maximizing tourism's economic value for the Commonwealth. That handicap is exacerbated by redirecting 1% statewide transient room tax funds for local projects.
- Appropriating 1% funds to certain local initiatives is doubly unfair to hotels and other accommodations businesses that pay the tax. Unless they happen to be located where local projects are funded, they don't receive the benefit of the appropriations they financed, and the benefits they do derive are diluted by a less than fully funded overall statewide marketing and promotion effort.
- The use of 1% transient room tax funds for local initiatives threatens to take on a snowballing effect if more such projects receive funding and current recipients seek renewed funding.

What's Next and What Will You Need to Do?

We are in the process of developing information and guidance for your use in educating your legislators about the vital linkage between the 1% transient room tax and the success of tourism, including its success locally in their districts.

Stay tuned and get ready to go to work!