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November 13, 2019

Chair Daniel Dromm
City Council Finance Committee
250 Broadway
New York, NY 10007

RE: 11/14 Finance Committee Hearing

Dear Chair Dromm,

I write in support of Intro 1780, which extends the additional tax on the occupancy of hotel rooms. The 5.875% rate has been in effect since March 1, 2009. If the council does not pass this extension, the rate will fall to 5% on December 1, 2019.

By maintaining the existing rate, the City will preserve an important revenue source without burdening residents or discouraging tourism. If the rate is not extended, it will lead to a substantial loss in revenue. According to estimates from the Office of Management and Budget, if the higher rate expires the FY20 cost (part-year impact) would be $47 million, while the costs for FY21, FY22, and FY23 (full-year impact) would be $94 million, $96 million and $98 million, respectively. The extension will help ensure that City tax revenues are sufficient to fund important public services.

In closing, I encourage the Council to pass Intro 1780 and appreciate the opportunity to provide this letter of support.

Sincerely,

Michael Hyman

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Honorable Council Member Daniel Dromm
New York City Council
Re: Intro 1780

Dear Council Member Dromm and the Committee on Finance,

The Hotel Association of New York City (HANYC) respectfully requests that the additional 0.875% tax, originally imposed in 2009 at a time of considerable fiscal stress for NYC, not be extended at this time.

The additional occupancy tax is a disincentive for visitors to New York City and a financial burden for the hotel industry as a whole. By disincentivizing NYC visitors, the additional percentage on the occupancy tax brings harm to NYC's overall tax revenue. Business travelers and convention planners in particular always take into account the total tax burden on hotel rooms when considering a destination, and areas with lower taxes always spur additional travel and a concomitant increase in tax revenues for those jurisdictions. NYC is losing those revenue opportunities by imposing this additional tax.

The hotel industry's Revenue Per Available Room (RevPar, a key financial metric) remains below what it was before the 2008 financial crisis. Despite perceptions, hotels are struggling to remain a part of the NYC tourism economy, and this additional tax continues to contribute to hotels' financial tax burden.

Originally intended for a single two-year term, the tax has been extended twice and would impose considerable difficulties on the hotel industry in NYC if it continues.

New York City's hotel industry has also faced rising customer acquisition costs, coupled with cripplingly large increases in Real Property Taxes since 2009. The industry's total tax contribution to the City of New York already is over $3 billion, including hotel sales tax and a disproportionate burden of real property taxes on top of the hotel occupancy tax.

The renewal of this additional percentage on the hotel occupancy tax, which was clearly intended as a temporary measure when the change was first introduced, will not only be deleterious to the industry but inarguably to tax revenues for the city in the long-term.

Yours truly,

Vijay Dandapani