



Lodgers' Tax: Best Practices and Community Impact

November 20th, 2024

Agenda



Background & Tourism Economy



Introduction to Lodgers Tax



Benefits to Local Governments



Tax Structure



Eligible Expenditures

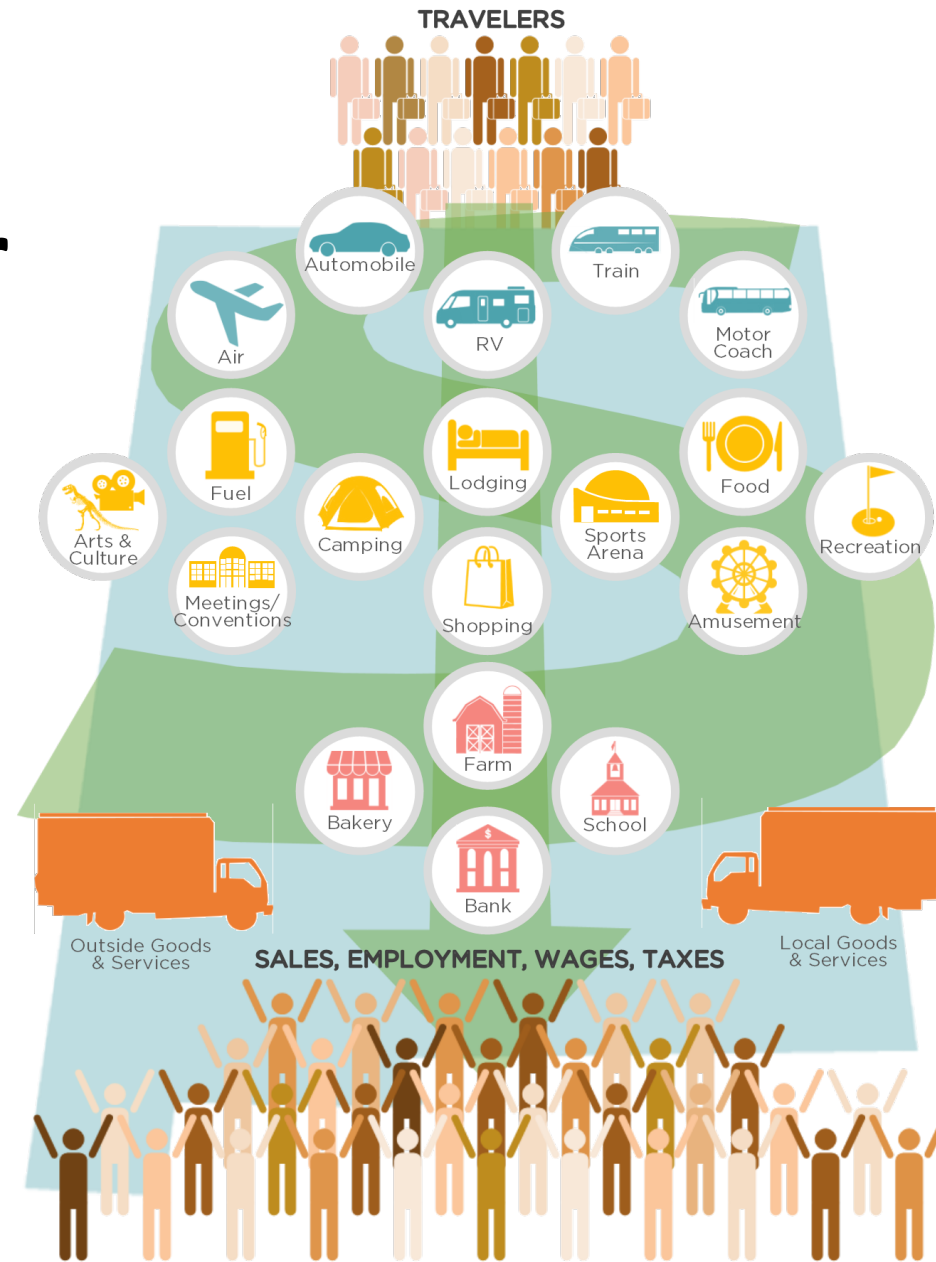


Lodgers Tax Advisory Boards



Path of the Tourism Dollar

- Brings customers and sales to local businesses
- Brings local and state tax revenue to support communities, i.e., public safety, education

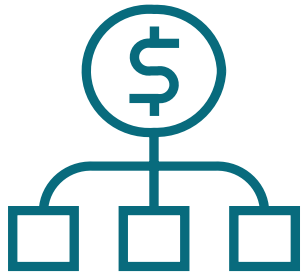


- Subsidizes community amenities, i.e., museums, direct flights, entertainment
- Creates jobs and career advancement opportunities
- Gives communities the opportunity to share and preserve their culture

2023 Economic Impact

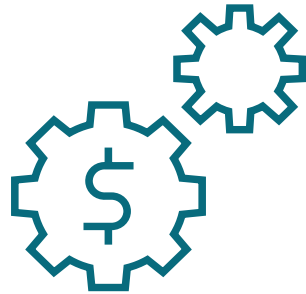
\$11.6 BILLION

Total Economic Impact of Tourism in New Mexico in 2023



\$8.6B

Direct Visitor
Spending



\$11.6B

Total
Economic
Impact



93,200

Total
Jobs
Sustained



\$810.7M

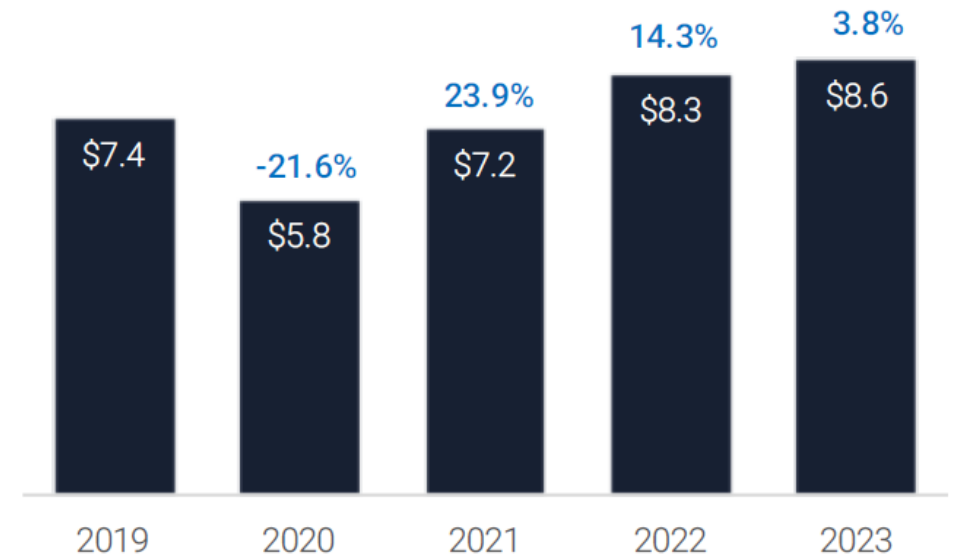
State & Local
Taxes Generated

2023 Economic Impact

- Visitor spending increased by **3.8%** in 2023 & total visitation increased by **1.2%**
- International visitation increased by **34.3%**--bringing it to 2019 numbers
 - *Total international visitation to the US in 2023 was at 84% of 2019 numbers*
- International spending in NM increased by **36.2%**, surpassing 2019 numbers by nearly 6%
- Visitor-supported employment grew by **2.2%** in 2023

New Mexico Visitor Spending

Amounts in \$ billions



Source: Tourism Economics

NM Resident Survey about Tourism

Tourism in the Community	
The money visitors spend in my community is important to the economy	96%
Tourism helps the small businesses in my community	95%
Tourism provides jobs in my community	89%
The tax revenue generated by tourism helps provide services my community needs	86%
Tourism shows people that my community is a good place to relocate	80%
Tourism give me the opportunity to share my culture with others	74%
Tourism makes my community a nicer place to live	74%
The tax revenue my community receives from visitors reduces the amount of taxes I pay	52%
Tourism only helps the large businesses in my community	22%

Introduction to Lodgers' Tax



Lodgers' Tax allows communities to leverage New Mexico's tourism industry to grow their local economy.

By actively engaging in the collection and thoughtful allocation of Lodgers' Tax, local communities tap into a revenue stream uniquely aimed at enhancing quality of life and driving economic vitality. This tax supports the very backbone of local tourism, providing funding for promotional activities, community events, and vital infrastructure improvements. It helps not only to attract visitors but to enrich the lives of residents through job creation and better public amenities.

Communities where tourists want to visit are communities where residents want to live.

Lodgers' Tax Statute and Definitions

New Mexico Lodgers' Tax is an **optional** local tax applied to the revenue generated by businesses offering lodging services. This includes not just traditional hotels and motels, but also short-term vacation rentals like Airbnb, campgrounds, and even bed-and-breakfast establishments.

New Mexico first implemented the Lodgers' Tax in 1969 with the goal of promoting tourism and better positioning the state as a premier travel destination. Over the years, the Lodgers' Tax has become a crucial part of New Mexico's tourism funding strategy, helping to finance various tourism-related projects and campaigns.

The tax provides revenues to administer the taxing program and to promote tourist-related events and other activities including advertising for promotion of events and supporting tourist-related facilities. The Act requires a five-member Lodgers' Tax Advisory Board (LTAB) appointed by the mayor or county commission chair.

Municipalities and counties have two years to expend collected revenues and typically expend carryover funds in each annual budget.

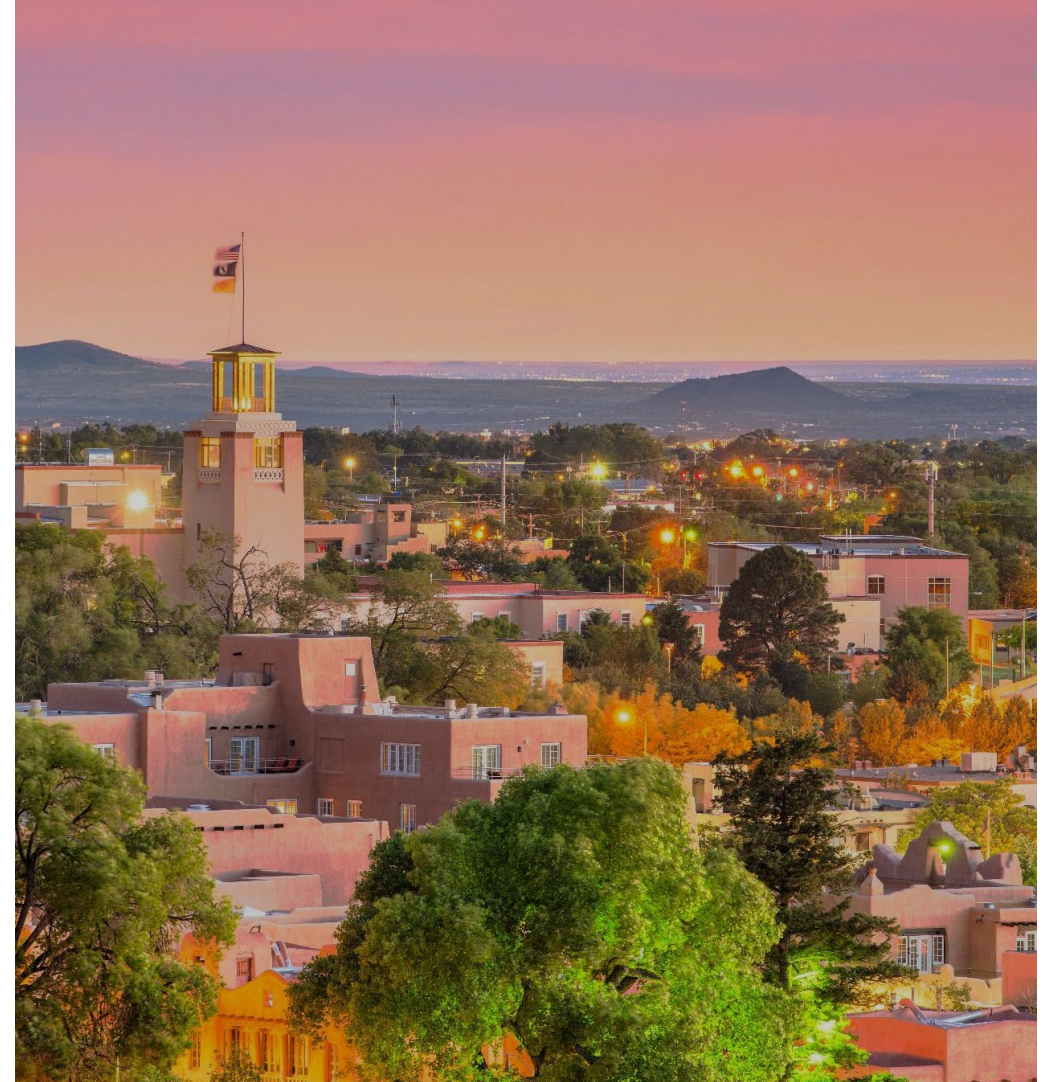
Lodgers' Tax Definitions

“**Lodging**” refers to a short-term dwelling (temporary quarters).

“**Temporary lodging**” means lodgings for the purpose of housing a vendee within proximity of the vendee’s employment or job location.

“**Vendor**” means a person or the person’s agent furnishing lodgings in the exercise of the taxable service of lodging.

“**Person**” means a corporation, firm, other body corporate, partnership, association or individual. A “Person” does not include the federal government, state government, or any political subdivision of the state.



Lodgers' Tax Statute -- Exemptions

The occupancy tax shall not apply:

- If a renter/vendee is using the premises as their permanent residence of over thirty (30) days or has entered into a written agreement for use of the taxable premises;
- If the rent paid by a vendee is less than two dollars (\$2.00) per day;
- Lodging accommodations at institutions of the federal government, the state or any political subdivision thereof;
- Lodging accommodations at religious, charitable, educational or philanthropic institutions, including accommodations at summer camps operated by such institutions;
- Clinics, hospitals or other medical facilities; or
- Privately owned and operated convalescent homes or homes for the aged, infirm, indigent or chronically ill.

Lodgers' Tax Statute

Full statute can be found here:



Lodgers' Tax – Local Ordinance

Local Ordinances:

- Use the Act to define: lodgers, tourists, tourist-related activities & facilities, etc.
- Determine the percent being collected based on the size of the community
- Set requirements for collecting tax from lodgers
- Set requirements for quarterly reporting
- Set requirements for how to administer the funding
- Set requirements for how funds will be used



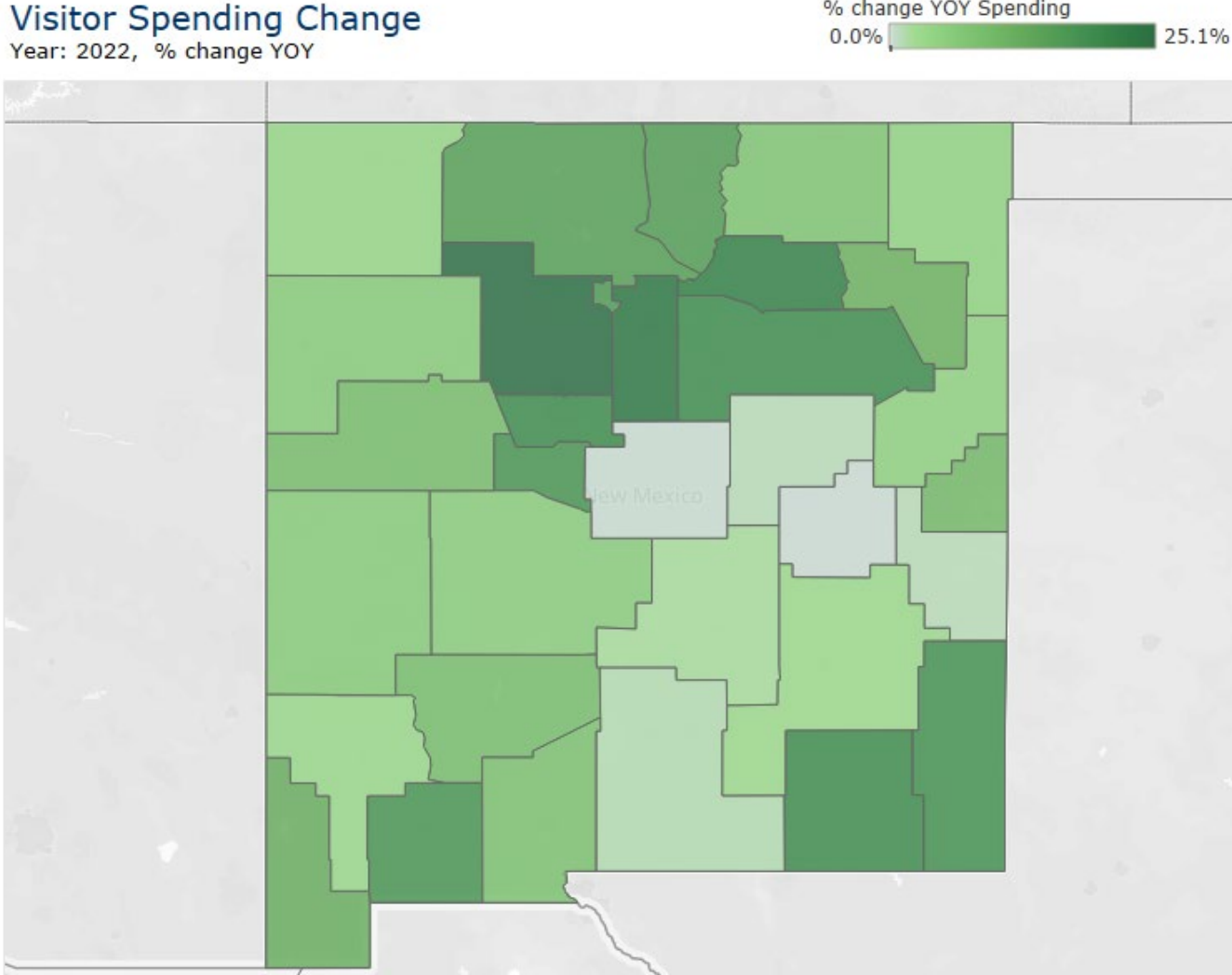
Benefits to Local Governments - Overview

Revenue Generation

Lodgers' Tax provides a steady stream of revenue that can be directed to various community initiatives focused on tourism. Visitor spending in CY 22 increased in every NM county, and in FY22, **nearly \$70M** of lodgers' tax was generated in NM communities.

Tourism Promotion

Through focused marketing and promotional activities, the Lodgers' Tax helps attract visitors, boosting local businesses.



Benefits to Local Governments – Economic Impact

Job Creation

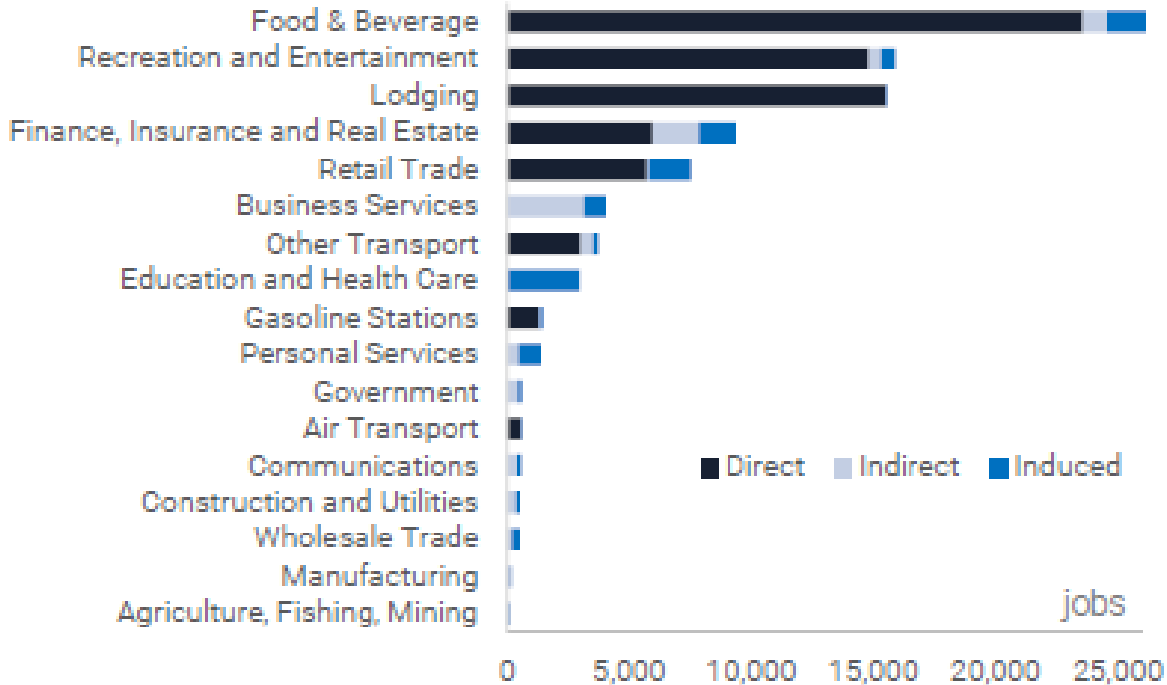
Increased tourism directly leads to job creation in various sectors, including hospitality, retail, and local attractions. Indirect impacts of tourism promote job growth in sectors as diverse as real estate, finance, education and health care.

Local Business Support

The influx of tourists generates higher demand for local services and products, benefiting businesses

Employment impacts by industry (2022)

Amounts in number of jobs



Source: Tourism Economics

Benefits to Local Governments - Community Development

Infrastructure Improvement

Lodgers' Tax funds can be used for public amenities and infrastructure directly related to tourism, like parks, museums, or even roads leading to tourist sites.

Quality of Life

Improvements and attractions funded by the Lodgers' Tax can enhance the quality of life for residents, not just visitors.

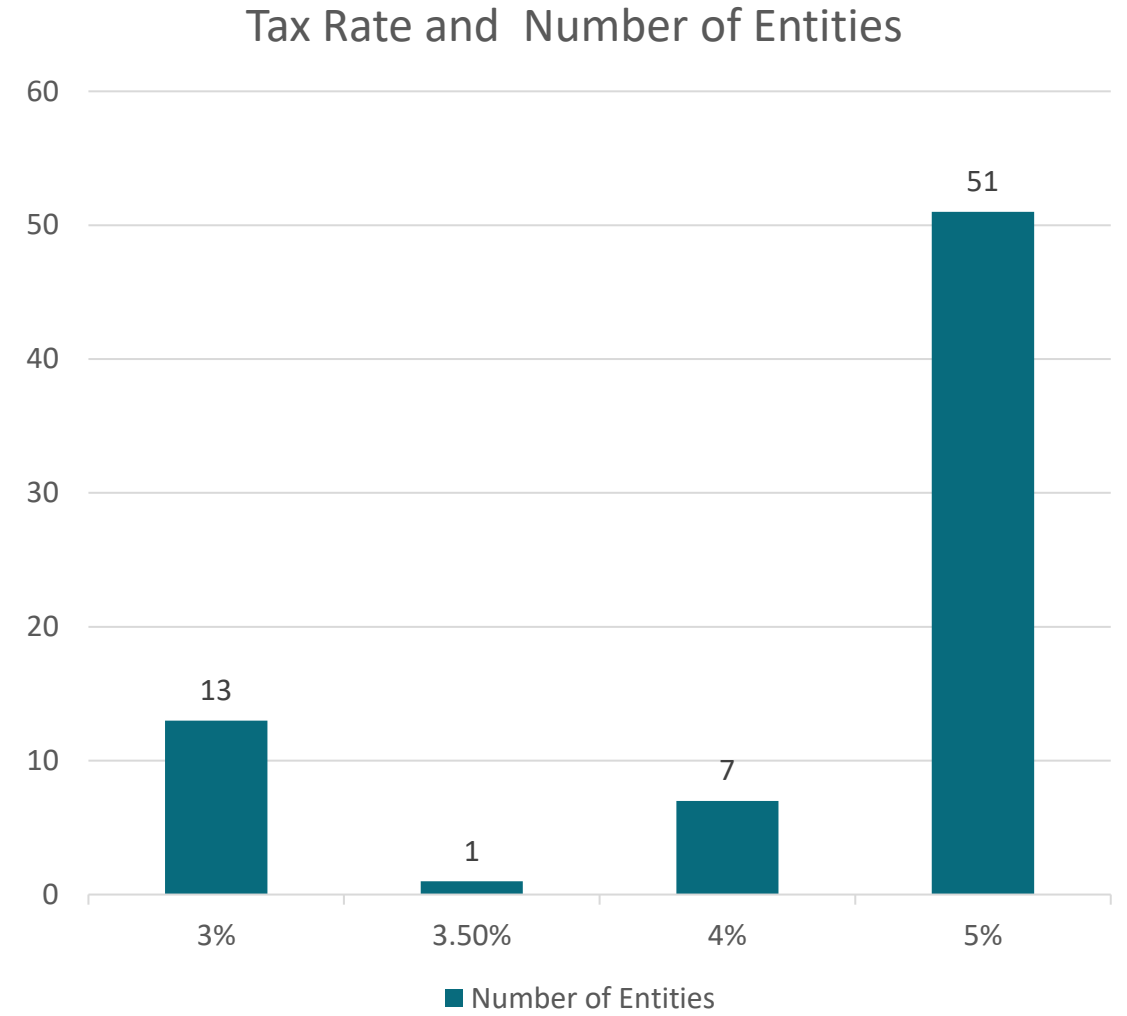


Tax Structure - Rates

Municipalities may impose by ordinance an occupancy tax for revenues on lodging within the municipality, of no more than 5% of gross taxable rent.

The board of county commissioners of a county may impose by ordinance an occupancy tax for revenues on lodging within that part of the county outside of the incorporated limits of a municipality of no more than 5% of gross taxable rent.

Tax rates range from 3% to 5% in NM, with most entities choosing to tax at 5%.



Tax Structure – Who Collects Lodgers' Tax?

Lodging Providers:

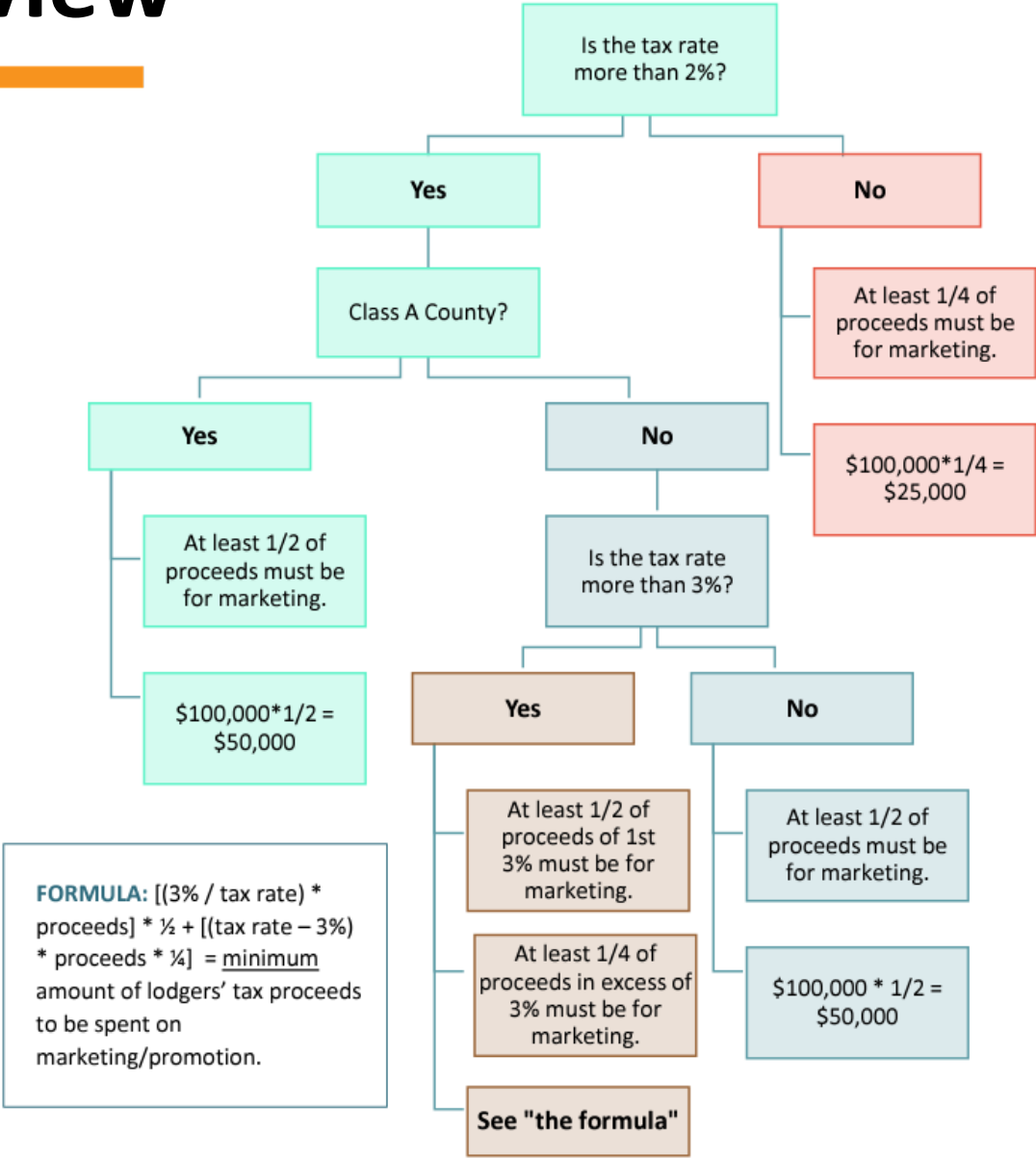
Hotels, motels, vacation rentals, and other lodging providers (*including online travel agencies where applicable –more on that later!*) are responsible for collecting the tax from consumers and remitting it to the local government.

Counties and Municipalities:

Counties and municipalities are responsible for ensuring accurate and timely revenue collections from vendors, auditing vendors, expending tax proceeds only as allowed by statute, and reporting to DFA/LGD on a quarterly basis.

Eligible Expenditures - Overview

Currently, the law provides that--for Class A counties or municipalities with a lodgers' tax greater than two percent--**50 percent must be used to advertise, publicize and promote tourist-related attractions, facilities and events.** The remaining 50 percent of revenues may be used for collecting and administering the tax; for tourist-related facilities, attractions or transportation systems; or for financing capital items associated with tourist-related facilities, attractions or transportation systems.



Eligible Expenditures – Best Practices

In determining whether an expenditure is an appropriate use of lodgers' tax revenues, local governments consider:

- Will the event or use of funds bring people from out of town?
- Will the out-of-town visitors stay at motels, hotels, motor or trailers courts or other lodging facilities?
- Will out-of-town visitors be eating at local restaurants?
- Will out-of-town visitors frequent other stores, sites or attractions in the local area?

Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment (more than 50 miles, typically) for personal or business/professional purposes.

Acceptable Advertising Uses of Lodgers Tax

A wine festival that **promotes** the event to the **defined tourist** and is **attended by** the **defined tourist** (outside a 60-mile radius).

A marketing campaign to promote a community asset or event, with a direct focus on a specific drive or fly market audience, that has an overnight stay (or multiple) component, and an ancillary spend component.

Print, digital, social, and out of home media uses. Media buy in a targeted drive market in another state. The media buy is to promote destination (i.e. street car wrap, trolley signage)

Travel and Adventure Tradeshow branded booth signage or shows in target market that consumers are attending. The ROI is brand impressions.

Targeted ads in multimedia platform for a seasonal event during shoulder season that is focused on overnight or multiple night stays ("heads in beds")

Lodgers Tax Advisory Boards

As outlined in the Lodgers' Tax Act [3-38-13 through 3-38-24 NMSA 1978], the mayor or county commission chair of every municipality or county that imposes an occupancy tax shall appoint a five-member advisory board that consists of:

- Two members who are **owners or operators of lodgings subject to the Occupancy Tax** within the municipality or county,
- Two members who are owners or **operators of industries located within the municipality or county that primarily provide services or products to tourists**; and
- One member who is a resident of the municipality and represents the **general public**.

Lodgers Tax Advisory Boards - Responsibilities

The Lodgers Tax Advisory Board (LTAB) serves as an advisory body to the local government, providing insights and recommendations on how to best utilize the Lodgers' Tax for tourism promotion.

The board assists in drafting an annual budget regarding the utilization of the Lodgers' Tax, subject to approval by local government officials.

The board often reviews projects and initiatives funded by the Lodgers' Tax, assessing their impact on tourism and community development.

The board serves as a bridge between the local government and stakeholders, ensuring transparency and effective communication.

Lodgers' Tax Advisory Boards are subject to the New Mexico Open Meetings Act.

Additional Resources



New Mexico Hospitality Association Lodgers' Tax Best Practices Handbook

https://newmexicohospitality.org/wp-content/uploads/2020/07/Lodgers-Tax-Best-Practices-Handbook_NMHA.pdf

DFA Financial Distributions

<https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/financial-distributions/>

NM Tax and Revenue Department: Marketplace Providers and the Sale of Lodgings or Accommodations

<https://klvg4oyd4j.execute-api.us-west-2.amazonaws.com/prod/PublicFiles/34821a9573ca43e7b06dfad20f5183fd/a0c798f2-9ea2-4aaf-a6b8-a31540e2c2e8/B-200.37.pdf>

NEW MEXICO TRUE

Victoria Gregg, Research Director
(505) 795 – 2176
Victoria.Gregg@td.nm.gov

