

[House File 2579](#), passed in the 2022 session, included language directing the Iowa Department of Transportation (DOT) to establish a Des Moines Area Regional Transit Authority (DART) Alternative Funding Advisory Committee to study the most effective and efficient methods to increase funding for the Des Moines area regional transit authority that is alternative to an increase in property taxes. DART had been seeking legislative action this session on their hotel-motel tax proposal and this session's law language was passed by the legislature in response to DART's proposal. Below is the specific legislative language regarding this advisory committee. [Learn More Here](#)

Members of Committee:

Voting Members:

Director Scott Marler, Iowa DOT, Co-Chair - email not on public website

Director Kraig Paulsen, Iowa Department of Revenue, Co-Chair - kraig.paulsen@iowa.gov

Supervisor Steve Van Oort, Polk County Board of Supervisors - Steve.VanOort@polkcountyiowa.gov

Councilperson Kelly Whiting, Ankeny City Council - email on [form](#)

Mayor Paula Dierenfeld, City of Johnston - PaulaSDierenfeld@gmail.com

Ex-Officio Members:

Representative Brian Best, Iowa House District 12 - brian.best@legis.iowa.gov

Representative Marti Anderson, Iowa House District 36 - marti.anderson@legis.iowa.gov

Senator Brad Zaun, Iowa Senate District 20 - brad.zaun@legis.iowa.gov

Senator Janet Petersen, Iowa Senate District 18 - janet.petersen@legis.iowa.gov

November 8, 2022

Dear Honorable Committee Member,

As vice president of hotel operations for Heart of America Group, and a board member of the Iowa Hotel & Lodging Association, I am writing to share with you the reasons why raising the hotel/motel tax is completely wrong for Iowa and the hospitality industry. DART believes that this is just a pass-through tax and does not impact the profitability of hotel owners, and only impacts those traveling to our state, not impacting Iowans. I will illustrate to the contrary, as well as outline their own study from 2017 that shows only 2 of the 51 stakeholders thought that hotel/motel tax increase should even be explored.

In 2017, a Great Des Moines Transit Study had 51 organizations participate to help find resources for alternative funding for DART. Of these 51 organizations, not one was a hotel company. Even without having anyone at the table from the hospitality industry, the hotel / motel tax as a funding option was the least favorable choice. Even more stakeholders were for finding "something else" as a source of revenue. Why would DART want to move away from an expensive study, and not follow its recommendations?

Proponents of increasing the hotel/motel tax would like you to believe this is just a pass-through tax and does not cost the hotel owners. There are direct costs and indirect costs to hotel owners:

- Credit Card Processing Fees. Hotels pay on average 3% in credit card processing fees. These fees are on the total transaction and not just the room sales, and increasing the taxes will cost each hotel thousands of dollars annually in addition to what they already pay. Why should hotels incur additional expenses to offset the financial shortfalls of another entity?
- Raising lodging taxes causes our markets to become less competitive with neighboring markets due to having higher overall taxes for guest rooms. This could have an impact for major groups and events causing them to make an economic decision to select another destination. Increasing our overall taxes on guest rooms from

12% to 17% puts us in line with metropolitan areas like Chicago, Illinois which has one of the highest tax rates on hotel rooms in the country at 17.4%. Why would we want to have a similar tax plan as Chicago?

- Corporate travel has not returned to pre-pandemic levels and our industry is doing whatever it takes to boost this demand generator. Raising a corporate travelers spend by 5% in just taxes hinders any progress. If a company is negotiating their rates in our industry, one of the factors we disclose in the RFP process is the tax rate. This increase in taxes could lead a company to request our rates to be reduced by 5% further exasperating our industry's recovery and profitability.

The proponents of this measure also believe it will not impact Iowans. That is not an accurate assessment, either. A majority of our guests either call Iowa home, or it is their work place bringing guests to Iowa. For Example:

- Organized Sports Teams come from all over the state of Iowa to compete in tournaments.
- Schools participating in state competitions and activities, and the students' families.
- Iowa residents from all over the state for major events such as the State Fair, and a myriad of other leisure activities.
- Iowans coming to the larger markets for health care services.
- The corporations that call Iowa home who are the largest consumers of hotel rooms. Adding an additional 5% in taxation on these companies only punishes them. They bring people into our state from all over the world adding to our markets' overall economic gain. These companies are paying the hotel bills of these guests.

To charge these hotel guests a transit tax, especially considering they are not using the bussing services leaves me flummoxed, especially when they are already contributing to our markets' economies and tax base.

DART has even identified 13 "similar" markets; personally, I'm not sure how we are considered similar to Kansas City and Indianapolis, but DART included them in their study as to where their funding originates. Of the 13 Markets:

- 6 receive their funding from dedicated sales taxes; not lodging taxes
- 4 receive from city funding
- 2 from property taxes
- 1 from a combination of income and property taxes

If other metropolitan areas do not see the logic of charging guests of hotels a transit tax, why should Iowa?

In closing, thank you for your time and understanding of the issues with this transit tax, and how it impacts the hotel industry, Iowa businesses, and Iowans. Raising taxes on our guests/customers when they do not even use the service is not right. Please feel free to contact me if you have any questions. I would also be willing to take questions, or make a statement at any upcoming committee meetings.

Sincerely,



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