

ALBERTA'S TOURISM LEVY

The Hotel Room Tax, 1987 – 2005

- ▶ The *Hotel Room Tax Act* provided for the collection of a 5% tax on the purchase price on accommodation in Alberta from June 1, 1987 to March 31, 2005.
- ▶ Effectively a sales tax, hotels in Alberta were required to collect the tax from business and personal purchasers of the accommodation, and remit the tax collected to Alberta Tax and Revenue Administration (TRA). All revenues from the Hotel Room Tax went directly into provincial General Revenue.
- ▶ As allocations were part of the government's budgeting process, they were subject to political considerations and economic conditions. Tourism marketing in Alberta was based on an informal partnership between stakeholders and the Ministry of Economic Development. Flowing from the Minister's Business Plan and the Strategic Tourism Marketing Plan, tourism promotion and marketing were shared functions between Travel Alberta and a variety of tourism contractors and participants.
- ▶ The lack of predictable and sustainable funding significantly hampered opportunities to:
 - ▶ Leverage available industry and federal government tourism marketing dollars, and
 - ▶ Mount effective marketing campaigns.

The Tourism Levy, April 2005 – Present

- ▶ Government and industry worked together from 2002 – 2005 to create a sustainable funding model for tourism in Alberta. Industry support was contingent on:
 - ▶ Meaningful and direct industry participation; and
 - ▶ Direct use of funds for tourism marketing and product development.
- ▶ The *Tourism Levy Act* requires that providers of temporary accommodation in Alberta with more than four bedrooms available for rent at the same time in the same location collect and remit the levy to Alberta Finance Tax and Revenue Administration. The AHLA estimates that 1200 hotels and motels from communities around the province collect and remit the levy. Roughly 96% of the guest rooms on which the levy is charged are owned by AHLA members.

ALBERTA HOTEL & LODGING ASSOCIATION

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- ▶ The Hotel Room Tax was replaced by a 4% Tourism Levy effective April 1, 2005. At that time, the Minister of Economic Development stated that all of the funds collected would be used for tourism marketing and development.
- ▶ The accommodation sector is the only segment of tourism that contributes to the Tourism Levy, however Alberta's entire tourism economy benefits directly from the marketing dollars the levy generates.
- ▶ The *Travel Alberta Act*, which created Travel Alberta as a corporation governed by a Board of Directors in 2009, greatly increased the transparency and accountability of Tourism Levy dollars allocated to tourism marketing.
- ▶ The ability to meet the government's goal of \$10 billion in revenue by 2020 is based on the continued use of the Tourism Levy to provide substantial, sustainable funding, helping to achieve development and marketing initiatives.
- ▶ Until 2013, the Tourism Levy was allocated 80% to Travel Alberta for tourism marketing and 20% to Alberta Tourism, Parks and Recreation for tourism product development. In 2013, the government changed the allocation to 70% for tourism marketing, 30% for product development unilaterally and without consultation.
- ▶ The \$87 million generated by the Tourism Levy in 2014, which should be spent in the provincial government's 2016 – 2017 budget year was allocated:
 - ▶ \$49.5 million to Travel Alberta
 - ▶ \$11.5 million to the Tourism Division for product development

The provincial government has not specified how the remaining \$26 million will be allocated. This breaches the spirit of the partnership between government and industry from which the Tourism Levy originated.

The AHLA's position is that the full amount of the Tourism Levy should be allocated to initiatives that will help to achieve the government's goal of \$10 billion in revenue by 2020. Transparency and accountability of every dollar generated by the Tourism Levy is essential to the health of Alberta's tourism economy.