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BGR MEDIA RELEASE

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BGR Raises Policy Concerns About Excluding Hotel Rooms from New French Quarter Tax

Today, the Bureau of Governmental Research (BGR) published a new report raising concerns about the New Orleans City Council's recent decision to exclude hotel room rentals from the sales tax for enhanced public safety in the French Quarter.

The new 0.245% sales tax takes effect October 1. French Quarter voters approved it in April. It applies only in the French Quarter and expires at the end of June 2026. The ballot proposition estimated that it will generate $2.5 million in the first 12 months.

The City Council initially sought to exclude hotel room rentals in the tax proposition, but it removed the tax break after state officials questioned the legality of doing so. After the election, legal questions persisted about establishing the tax break in the council resolution levying the tax. However, in August, the council approved the resolution, with hotel room rentals excluded. In doing so, it did not address the legal questions.

While BGR has not taken a position on the legal issues, today's *BGR NOW* report identifies several compelling policy reasons for applying the 0.245% tax to hotel room rentals. These include the following:

- The exclusion would reduce the projected tax revenue by about $500,000, exacerbating a sharp decline in funding for public safety in the heart of the city's tourism economy.
- Recommended public safety services other than policing, such as homeless assistance, would receive less funding.
- A key rationale for excluding hotel rooms from a similar sales tax that expired at the end of 2020 was that a citywide surcharge on hotel rooms was already providing $3.7 million for French Quarter public safety. However, local tourism officials have withdrawn that funding, and hotel rooms would contribute nothing with the exclusion.

- There has been no demonstration that the tax – which amounts to 44 cents for a typical pre-pandemic room charge of $180 – would put French Quarter hotels at a competitive disadvantage. Moreover, the exemption would unfairly concentrate the tax burden on other French Quarter businesses.

- The exclusion deviates from well-established norms and recommended practices for taxation. For example, sales taxes apply to hotel room rentals in the vast majority of jurisdictions, including New Orleans.

BGR's report calls on the City Council to amend its resolution levying the tax to remove the exclusion for hotel rooms.

In raising these concerns, BGR is not taking a position on a pending agreement between the City, the City Council and the French Quarter Management District, a state entity that will oversee the tax revenues as specified in the ballot proposition. The Management District approved the agreement on Monday (September 13), pending consideration of certain revisions the City requested. The agreement includes a budgeting process and other provisions necessary to direct the tax revenue to supplement patrols by the New Orleans Police Department and other public safety enhancements in the district. The agreement also establishes a framework to hold the parties accountable for the use of the tax revenue, but it does not address the exclusion for hotel room rentals.

Click here to read the BGR report.

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