

THE CITY OF NEWPORT

**RESOLUTION**

**OF THE**

**COUNCIL**

**No.2024-15**

WHEREAS, Newport is a City of 25,163 residents and receives state aid proportioned to 25,163 residents, yet must support public infrastructure and public safety services off this local tax base to accommodate over 100,000 summer residents and over 4,000,000 tourist visitors annually; AND

WHEREAS, Newport's unique geographic beauty as a historic coastal City benefits the entire State of Rhode Island with tourism spending and tax revenue, and this same unique geographic beauty and heavy visitor load comes with elevated infrastructure needs that are atypical of many other Rhode Island Cities and towns with similar sized populations. These needs include beach and coastal public amenity maintenance, seawall maintenance, storm water management, coastal flooding issues, high tourist intensity road and sidewalk maintenance, and water and sewer system requirements that must match peak usage for 100,000 people in a City of only 25,163 year-round residents; AND

WHEREAS, Newport has suffered a generational underinvestment in the basic infrastructure that makes our both city livable for residents and capable of supporting large scale tourism, due to decades of a structurally deficient revenue and related deferment of capital infrastructure investment; AND

WHEREAS, Newport's generational underinvestment in infrastructure has reached a tipping point, with approximately \$500M in unfunded capital investments anticipated to be required in the next 5 years to maintain the City's basic resiliency and sustainability, and dramatic measures to generate revenue must be taken; AND

WHEREAS, 86% of the General Fund to run the City of Newport comes from local property tax and this City Council would like to see an improved balance and sharing of the tax revenue burden between residents and visitors; AND

WHEREAS, Lodging tax represents a highly targeted source of revenue that is sourced nearly 100% from visitors and tourists and not by residents and locals; AND

WHEREAS, The total tax charged on hotel rooms in Newport as a combination of Rhode Island state sales tax and state lodging tax is 13%, which is 1.2% below the national average and ranks Newport in the bottom 33<sup>rd</sup> percentile of total hotel tax compared to the top 150 Cities nationwide; AND

WHEREAS, Newport's share of the 13% total tax charged to hotel visitors is a just 2.5%, which is 4.4% below the national average of lodging tax directed back to the host City and ranks Newport at the bottom 17<sup>th</sup> percentile for lodging tax received compared to the top 150 Cities nationwide; AND

WHEREAS, Average room prices in Newport have increased 36% since pre-COVID levels, while simultaneously room occupancy has increased by 2%. Boosting the lodging tax by an additional 2.5% with these funds directed back to the City of Newport is a negligible change relative to normal market pricing forces and would not impact tourism or hotel room demand; AND

WHEREAS, Boosting the total tax on hotel rooms to by 2.5%, to 15.5% would place Newport at the 74<sup>th</sup> percentile of total tax charged compared to the top 150 Cities nationwide, and still place Newport with a lower total tax charged than other destination cities such Honolulu (17.75%), Baltimore (17.5%), Boston (16.95%), Chicago (17.39%), Anaheim (17%), Austin (17%) and Virginia Beach (16.5%); AND

WHEREAS, Boosting the total tax on hotel rooms to by 2.5%, to 15.5% would provide an additional \$3.6M to the City annually for use in public infrastructure needs which serve our tourism economy; AND

WHEREAS, Of the total 13% tax charged, Providence and Warwick Convention and Visitors Bureau receives 0.25%, which amounts to the City of Newport subsidizing tourism in a wholly different part of the state;  
NOW, THEREFORE BE IT

RESOLVED: That this City Council requests of the Rhode Island State Legislature to modify the lodging tax laws such that the City of Newport can directly collect and retain an additional 2.5% of lodging tax to be used only for public infrastructure and resiliency investment, with intent per Exhibit A of this resolution; AND BE IT FURTHER

MARK ARAMLI

IN COUNCIL  
READ AND PASSED  
**FEBRUARY 28, 2024**

A handwritten signature in cursive script, appearing to read "Laura C. Swistak".

LAURA C. SWISTAK, CMC  
CITY CLERK

## EXHIBIT A

### Rhode Island General Laws Title 44. Taxation § 44-18-36.1. Hotel tax

- (a) There is imposed a hotel tax of five percent (5%) upon the total consideration charged for occupancy of any space furnished by any hotel, travel packages, or room reseller or reseller as defined in § 44-18-7.3(b) in this state. A house, condominium, or other resident dwelling shall be exempt from the five percent (5%) hotel tax under this subsection if the house, condominium, or other resident dwelling is rented in its entirety. The hotel tax is in addition to any sales tax imposed. This hotel tax is administered and collected by the division of taxation and unless provided to the contrary in this chapter, all the administration, collection, and other provisions of chapters 18 and 19 of this title apply. Nothing in this chapter shall be construed to limit the powers of the convention authority of the city of Providence established pursuant to the provisions of chapter 84 of the public laws of 1980, except that distribution of hotel tax receipts shall be made pursuant to chapter 63.1 of title 42 rather than chapter 84 of the public laws of 1980.
- (b) There is hereby levied and imposed, upon the total consideration charged for occupancy of any space furnished by any hotel in this state, in addition to all other taxes and fees now imposed by law, a local hotel tax at a rate of one percent (1%) and in the City of Newport, an additional local hotel tax at a rate of two and one-half percent (2.5%) to be used for public infrastructure and resiliency purposes. The local hotel tax shall be administered and collected in accordance with subsection (a).
- (c) All sums received by the division of taxation from the local hotel tax, penalties or forfeitures, interest, costs of suit and fines shall be distributed at least quarterly, credited and paid by the state treasurer to the city or town where the space for occupancy that is furnished by the hotel is located. Unless provided to the contrary in this chapter, all of the administration, collection, and other provisions of chapters 18 and 19 of this title shall apply.
- (d) Notwithstanding the provisions of subsection (a) of this section, the city of Newport shall have the authority to collect from hotels located in the city of Newport the tax imposed by subsection (a) of this section.
- (1) Within ten (10) days of collection of the tax, the city of Newport shall distribute the tax as provided in § 42-63.1-3. No later than the first day of March and the first day of September in each year in which the tax is collected, the city of Newport shall submit to the division of taxation a report of the tax collected and distributed during the six (6) month period ending thirty (30) days prior to the reporting date.
- (2) The city of Newport shall have the same authority as the division of taxation to recover delinquent hotel taxes pursuant to chapter 44-19, and the amount of any hotel tax, penalty and interest imposed by the city of Newport until collected constitutes a lien on the real property of the taxpayer.