

Determinants of Hotel/Motel Tax Rates in Local Governments

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In recent years, numerous local governments, including those in rural areas with limited rental properties, have implemented a hotel/motel tax (HMT) to alleviate financial pressure and fund local initiatives. While some cities have increased HMT rates, others have not. In Georgia, local governments can set their HMT rate up to 8%, yet only 33% of those imposing an HMT opt for the maximum rate, with the remaining 67% selecting rates between 3% and 7%. Notably, the distribution of HMT rates among local governments exhibits greater diversity compared to other taxes, such as sales and excise taxes. This study explores the factors that influence HMT rates by examining revenue and fiscal data, tourism data, socio-economic and demographic data, as well as voting records and patterns. By analyzing county data in Georgia, the study reveals that only a few variables, including the HMT rate of neighboring jurisdictions, the political environment, and the volume of the lodging industry, have a limited impact. These findings carry significant implications for local governments as they endeavor to diversify revenue streams during periods of financial strain.

Keywords: hotel/motel tax, local government finance, local taxes

INTRODUCTION

In recent years, state and local governments facing increasing fiscal responsibilities have turned to new or higher hotel room taxes, as residents become more reluctant to pay higher taxes. The hotel room tax has gained popularity due to the widely held perception that its burden falls mainly on tourists, with minimal negative impact on industry sales (Combs & Elledge, 1979). As a result, the contribution of hotel room taxes to overall revenue has been growing. For instance, the lodging sector in Georgia generated \$3.5 billion in 2020 and employed approximately 41,700 people, with visitor spending contributing \$178 million to local government revenues (U.S. Travel Association, 2021).

Despite the significant revenue generated from tourists, not all local governments in Georgia levy the maximum limit of the hotel-motel tax (HMT). Instead, many opt for rates lower than the maximum limit established by state laws, with HMT rates varying even within the same county. However, it is unclear what factors determine the HMT rate in a given locality. This study examines the determinants of HMT rates using local governments in Georgia, where HMT rates range from 2% to 8%.

LITERATURE REVIEW

While no determinant study has been identified in the literature, a few studies have examined the effects of HMT on the revenues of hotels and local governments. The impact of HMT seems to be largely

dependent on the elasticity of demand for hotel/motel rooms. Combs and Elledge (1979: p. 203) argued that “demand for lodging in a resort is inelastic with respect to price,” suggesting that a small HMT imposed on hotels would have minimal impact on the industry and would generate substantial revenue for the local government. However, if demand is elastic, tourists are likely to be sensitive to tax hikes, and the tax burden would primarily fall on the hotel owners. Conversely, if demand is inelastic, the tax burden would fall primarily on the room occupants. Three studies estimated the elasticity of demand, with measures ranging from 0.13 to 0.7: 0.44 (Hiemstra & Ismail, 1993), 0.13 (Cania & Carvell, 2005), and 0.7 (Collins & Stephenson, 2018). All of these elasticity measures are below 1, indicating that room demand tends to be inelastic. For example, an elasticity of 0.44 corresponds to a .44% decrease in occupancy for every one percent increase in taxation.

However, cabins and other more expensive lodging are considered more elastic services and tend to be more price-sensitive than other forms of lodging (Corgel et al., 2012). Even in the case of relatively expensive lodging, high customer loyalty and satisfaction with lodging can reduce price sensitivity (Assaf et al., 2012). Moreover, individuals with higher incomes tend to be less price-sensitive to price changes (Waqas-Awan et al., 2021), and tourists who opt for expensive lodging options usually have higher incomes. As a result, research often indicates that tax rates have minimal impact on hotel occupancy and revenue. In a Wisconsin case study, Kashianet et al. (2020) found that the relationship between tax rates and hotel revenues was very weak.

Swenson (2021) also found little ex-post evidence as to whether HM taxes affect occupancy rates while examining California’s rates across different cities. In a study on the impact of Hawaii’s 1987 hotel room tax, Bonham et al. (1992) compared the real net rental receipts of hotel operators before and after the imposition of the tax and found that the tax had a negligible effect on real hotel revenues. In another study, Hudson et al. (2021) conducted in-depth stakeholder interviews and analyzed tourist data, such as average daily rate, occupancy, and revenue per available room. They found that their data did not support the hypothesis that a significant increase in a city’s hotel tax, exceeding that of an easily accessible competitor, would result in an economic loss to the city with disproportionate tax rates. They concluded that hotels appeared to have absorbed tax increases with little impact on their business. Furthermore, a study by Goorochurn et al. (2005) suggested that directly taxing tourism services is the most efficient form of tax collection.

If tax rate increases have a minimal effect on hotel businesses, what other issues do the major stakeholders consider more in deciding the tax rate? As noted by Hudson et al. (2021), stakeholders are concerned about how the lodging tax revenues are spent. State laws typically require local governments to spend most of the revenues from HM taxes for tourism-related purposes. For example, in Georgia, local governments may levy an HMT of up to 8%, with rates typically ranging between 3% and 8%. If the HMT is at 3% or less, the revenue can be used for any purpose. Local governments levying an HMT at a rate of at least 5% may use the HMT revenues equaling revenues that would be collected at 3% for general fund purposes. The additional proceeds from the tax must be used for promoting tourism, conventions/trade shows, or other similar purposes specified in the authorizing paragraph. The strict revenue regulations may prompt local governments to adopt a new HMT and increase the rate when there is a need for local tourism investment and development.

Although little is known about the determinants of hotel motel tax (HMT) rates, studies on local sales taxes suggest that the factors influencing their adoption and rate increases may have implications for HMT rates as both taxes fall under the same sales and use tax category. Previous studies found that local option sales tax adoption is a function of expenditures, other revenue sources, neighbor’s adoption, and fiscal stress (Sjoquist & Wallace, 2003; Sjoquist, et al., 2005). Studies report that sales tax rate increases may reflect a desire to increase spending while restraining property tax increases and/or following a neighbor’s recent rate increase (Sjoquist et al., 2005; Luna, 2004; Rork, 2003; Hill, 2005). Among the determinants, external factors often include spillover effect, tax competition, and follow-the-leader yardstick competition, whereas internal factors include expenditure, population changes, change in the property tax base, change in the sales tax base, per capita income, and political environment. For example, examining sales tax rates in Tennessee local governments, Luna et al. (2007) tested several variables such as property tax capacity,

property tax effort, sales tax capacity, per capita expenditure, neighbor sales tax rate, unemployment rate, per capita personal income, county type (urban or border), population growth, and Republican vote share. Their research indicated that counties with lower sales tax capacity were more likely to raise their sales tax rates to the maximum allowed by state law, and counties with lower property tax capacity or a larger share of Republican voters were more likely to reach the maximum sales tax rate. Burge and Piper (2012) used similar internal and external variables, focusing on the changes in sales tax rates in neighboring jurisdictions. They found that the capacity to engage in tax exportation and the presence of fiscal stress are both shown to accelerate local option sales tax adoption.

HOTEL/MOTEL TAX RATES IN GEORGIA LOCALITIES

When travelers use a hotel room in Georgia, they pay state and local sales tax (6% ~ 8.9%), HMT (up to 8%), and state-wide hotel/motel transportation fees (\$5 per night). When a city levies its HMT, its county HMT is not applied, indicating that counties and cities operate independently regarding HMT. The sales tax is comprised of a 4% state tax and 2% - 4.9% local option and special option sales tax, while the state does not have a specific HMT, except for the \$5 transportation fee per night. Local governments can set their HMT rate up to 8%, and the current rates vary across local governments, with 35% charging the maximum rate (8%) and 65% opting between 2% and 7%. As shown in Table 1, the local entities have six different HMT rates, with a 5% rate being the most prevalent, adopted by 54% of the counties and 35% of the cities with an HMT. Among the cities, an 8% rate is the most common. Of Georgia’s 159 counties, only 85 (53%) have an HMT, and out of about 530 municipal governments, only 199 (38%) impose an HMT.

TABLE 1
HMT RATES IN GEORGIA LOCAL GOVERNMENTS IN FY2020

HMT rate	Governments	%	County	%	City	%
2%	1	<1%	0	0%	1	1%
3%	22	8%	3	4%	19	10%
5%	116	41%	46	54%	70	35%
6%	25	9%	8	9%	17	9%
7%	22	8%	5	6%	17	9%
8%	98	35%	23	27%	75	38%
Total	284	100%	85	100%	199	100%
			85 (53%) out of 159 Counties		199 (38%) out of 530 municipal governments	

Note: This study counted the rate distributions based on *the Accommodations and Tourism: Georgia Counties, 2020* (<https://www.dca.ga.gov/node/7886>)

As briefly discussed earlier, HMT revenues are regulated by state law. In 1975 the state legislature first allowed counties and municipalities to impose an HMT of no more than 3%. Since then, the HMT has become increasingly complex. By 2008, local governments planning to impose an HMT had access to 24 different authorization paragraphs and rates. However, in 2008, the Georgia legislature (HB 1168) simplified HMT rate options for new adoptions or changes in existing HMT to three options: (1) 1-3%, (2) 5%, and (3) 6-8%. For example, to adopt option 3, local governments must adopt a resolution in which they should specify the tax rate, identify the tourism projects such as Tourism, Convention, and Trade Shows (TCT) and Tourism Product Development (TPD) purposes, and specify how the proceeds will be allocated. The General Assembly must then pass the local Act. Some “Grandfathered” authorizations, meaning tax ordinances in use before the 2008 code change, remain with their rates, applications, and spending

restrictions as is. Currently, 57 localities are “grandfathered” in one of 18 now-retired authorization paragraphs. If a local government levies a 5% HMT rate, 60% of the revenue is unrestricted, and the proceeds can be used for any legal general fund purpose. At least 40% of the HMT revenue must be spent on TCT. If a local government imposes an 8% HMT rate, 37.5% of the revenue is unrestricted, at least 43.75% must be used for TCT, and up to 18.75% may be used for TPD, or alternatively used for TCT.

TCT is a term defined by Georgia law to refer to activities such as planning, conducting, or participating in programs of information and publicity aimed at attracting or advertising tourism, conventions, or trade shows (Georgia Code § 48-13-50.2). Destination Marketing Organization (DMO), a private sector non-profit organization or other private entities that are exempt from federal income tax under Section 501(c)(6) of the IRS Code, typically spends TCT funds. Examples of DMOs include the Chamber of Commerce, Convention and Visitor Bureau (CVB), and Regional Travel Association. According to the regulations, government authorities are not eligible to receive HMT revenue. For example, “Main Street” organizations are often engaged in tourism activities locally. However, Main Street programs can serve as DMOs and spenders of restricted funds, if their organizations are set up as a 501(c)(6). TCT funds are generally spent on community-wide tourism advertising, social media/internet marketing campaigns, radio and television commercials, soliciting convention or trade show contractors, and supporting a convention facility. TPD, on the other hand, refers to the creation or expansion of physical attractions that are available and open to the public and enhance the destination’s appeal to visitors, support visitors’ experience, and are used by visitors. Expenditures may include capital costs and operating expenses (Georgia Code § 48-13-50.2). To use HMT revenue for a TPD project, the project should be identified as TPD in the local government’s annual budget, and it should involve the physical renovation of an existing tourism facility or the construction of a new tourism facility. Therefore, TPD funds are spent directly by local governments or other entities rather than by DMOs. The concepts of TCT and TPD reflect how local tourism needs might influence HMT adoption and rate changes.

DETERMINANT MODEL FOR HOTEL/MOTEL TAX RATE

Based on the literature, this study proposes a parsimonious model of determinants for HMT rate like:

$$\text{HMT rate} = \alpha + \beta_1 \text{HMT base} + \beta_2 \text{Regional accommodation centrality} + \beta_3 \text{Necessity of tourism investment} + \beta_4 \text{Neighbor's rate} + \beta_5 \text{Tax burden} + \beta_6 \text{Republican vote share} + \beta_7 \text{Population Growth} + \varepsilon$$

HMT rate is the dependent variable in this study. It is assumed that the HMT rate depends on various factors, including the HMT base, regional accommodation centrality, necessity of tourism investment, the HMT rates of neighboring areas, tax burden, Republican vote share, and population growth.

HMT base (+) is defined as all transactions in which lodging is provided to transient guests in hotels, motels, rooming houses, and other lodging accommodations. As the HMT base becomes more extensive, local governments are more likely to adopt an HMT or increase the HMT rate to generate additional revenue. Indicators such as the total number of rooms, employees, and revenues of hotels, motels, and lodgings would be included in the HMT base.

Regional accommodation centrality (+) is the relative percentage of overnight trips that occur within the region, also known as overnight trip propensity. When this percentage is higher, more people tend to stay in lodgings within the city or county, rather than traveling to neighboring cities or counties. A higher regional accommodation centrality could provide a cushion for increasing the HMT rate. Overnight trip propensity could serve as a proxy for this measure.

The necessity of tourism investment (+) may have a direct impact on the HMT rate. Since state law requires a significant portion of HMT revenue to be spent on TCT and TPD, local governments must identify the need to invest in tourism infrastructure. The local tourism industry may play a critical role in this process, as industry leaders can collaborate with the government to identify tourism investment priorities and influence decisions regarding the HMT rate. However, obtaining information on investment

needs from each government is often challenging. As a proxy variable, this study examines the growth rate of tourists to the area. When the number of tourists increases, the local government and tourism industry may require additional investments to accommodate tourists and promote local economic development.

Neighboring jurisdiction HMT rates (+) are often included in similar determinant models for sales taxes. Based on the literature, we assume that the HMT rate of a local government is positively associated with the rates of neighboring jurisdictions. In cases where multiple adjacent jurisdictions exist, we use an average rate of the neighbors.

The existing tax burden (+), mainly from property and sales taxes, might be a barrier to increasing tourism investment. The situation may press local governments to adopt an HMT or increase the current HMT rate as a designated revenue source for tourism investment. Also, this approach is more convenient for local governments as it does not require resident voting like in Special Purpose Local Option Sales Taxes (SPLOSTs). To measure the “burden,” we focus on the ratios of property tax revenue and sales tax revenue to total revenue. As these ratios increase, the pressure for new revenue options becomes greater. Therefore, the burden could provide more opportunities for local governments to adopt or increase HMT rates. We use the property and sales tax revenue ratios to total general fund revenue as our proxy variables for tax burden.

Republican vote share (-) Political factors may play a role in determining tax rates, and we include Republican vote share as a variable in our model. Previous research has suggested that there may be a correlation between conservative political views and a preference for lower taxes or tax rates (Yen & Zampelli, 2022). Thus, we hypothesize that areas with a higher share of Republican voters may be less likely to adopt or increase an HMT rate.

Population growth (+) is an indicator that shows the growth of local economic development, which can often affect tourism-related activities by drawing more travelers into the community. Therefore, population growth is a positive factor for the adoption and increase of HMT rates. This study uses the growth rate over the most recent decade as the measure of population growth.

METHODS AND DATA

As shown in Table 2, this study collected data from various sources, including the U.S. Census, Georgia Department of Community Affairs, Regional Visitation Patterns, and several state agencies. This study used the latest available data before the COVID-19 pandemic since there were many irregular patterns in tourism and local tax/finance during the pandemic period. A significant hurdle in collecting data was that key tourism data, such as hotel rooms, employees, revenues, and tourism patterns, are available only at the county level. A handful of major cities have tourism data, but others do not, so this study focuses on county-level data.

**TABLE 2
VARIABLES AND MEASURES**

Variables	Measures	Data Sources
HMT rates	The year 2018 HMT rates	GA Department of Community Affairs: https://www.dca.ga.gov/local-government-assistance/research-surveys/hotel-motel-excise-tax
Lodging industry size (LIS)	Lodging employees (2018)	US Census 2018 County Business Patterns: https://www.census.gov/data/datasets/2018/econ/cbp/2018-cbp.html
Overnight propensity (OP)	Overnight trip % (2018)	Explore Georgia-2020 Regional Visitation Patterns: https://industry.exploregeorgia.org/resource/2020-georgia-regional-visitation-patterns

Variables	Measures	Data Sources
Needs for tourism investment (NTI)	The growth rate of tourism by total employment (2012-2017)	U.S. Census NAICS 2017/2012: Code – “72”: https://guides.loc.gov/industry-research/classification-naics
HMT revenue (HMTR)	The ratio of HMT revenue to General Fund (2018)	Georgia Data – TED/Local Government Financial Documents: https://ted.cviog.uga.edu/financial-documents/welcome
The ratio of property tax revenue to the general fund (PTR)	The ratio of property tax revenue to the general fund (2018)	Georgia Data – TED/Local Government Financial Documents: https://ted.cviog.uga.edu/financial-documents/welcome
Sales tax rate (STR)	Sales tax rates (2018)	Georgia Department of Revenue: https://dor.georgia.gov/sales-tax-rates-general
Neighbor HMT rates (NHMT)	The average rate of adjacent city/county HMT rates (2018)	GA Department of Community Affairs: https://www.dca.ga.gov/local-government-assistance/research-surveys/hotel-motel-excise-tax
Population growth (PG)	Growth rate (2010 – 2018)	The US. Census: https://www.census.gov/
Republican ratio (RR)	Republican ratio – 2018 Gubernatorial election	GA Secretary of State Office: Election Results: https://sos.ga.gov/

Table 3 provides descriptions of the variables used in the study. HMT rates range from 3% to 8%, with a mode of 5%. The distribution of lodging employees, used as a proxy for lodging industry size, was significantly skewed, with a minimum of 6 and a maximum of 13,123, so it was logarithmized for proper distribution. Overnight propensity is a measure of the percentage of tourists who stay overnight in the area, with a mean of 7.26%. The tourism growth rate was calculated as the total employment growth between 2012 and 2017, with a mean growth rate of 20.8%. Year 2017 is the most recent data from US Census before COVID-19. The ratio of HMT revenue to the general fund in 2018 ranged from 0 to 7.9%, with a mean of 0.8%, indicating that HMT revenue is relatively small in each government. The ratio of property tax revenue to the general fund ranged from 17.6% to 77.3%, with a mean of 40.3%, indicating that property tax is the primary revenue source for county governments. Sales tax rates varied between 6% and 8.9%, while neighboring jurisdiction HMT rates ranged from 3% to 8%, with a mean of 6.6%. The population growth rate between 2010 and 2018 was calculated using U.S. Census data, with a mean growth rate of 5.6%. Finally, the mean Republican vote share in 2018 was 63.4%.

**TABLE 3
VARIABLE DESCRIPTION**

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
HMT rate	82	3.00%	8.00%	5.82%	1.44%	2.094
Lodging employees (log)	71	6 .78	13123 4.12	611.96 2.19	1704.143 .6964	2904104.841 .485
Overnight propensity	68	0.90%	25.70%	7.26%	6.09%	37.173

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Tourism growth rate	82	-22.5	84.8	20.813	17.2419	297.285
Ratio of HMT revenue to general fund	82	0	.0786	.0084	.1505	.001
Ratio of property tax rev to general fund	82	0.176	0.773	0.403	0.091	0.008
Sales tax rates	82	6.0	8.9	7.450	0.6086	0.370
Neighbor rates	81	3.0	8.0	6.632	1.3152	1.730
Pop growth rate	82	-24.38%	43.17%	5.61%	11.14%	124.102
Republican ratio	82	0.118	0.898	0.634	0.177	0.031

RESULTS

Table 4 displays the correlations between the HMT rate and the independent variables. The results indicate that the HMT rate is significantly and positively correlated with two variables: lodging employees and neighbor's HMT rate. The more lodging employees a county has, the higher its HMT rate tends to be. Additionally, a county's HMT rate is positively associated with its neighboring jurisdiction's HMT rate. The Republican ratio has a significant negative correlation with the HMT rate, indicating that counties with higher Republican vote shares tend to have lower HMT rates. However, the HMT rate is not significantly correlated with overnight propensity, tourism growth rate, ratio of HMT revenue to general fund, ratio of property tax revenue to general fund, sales tax rate, or population growth rate.

**TABLE 4
CORRELATIONS**

Variables		1	2	3	4	5	6	7	8	9	10
1. HMT rates	Pearson	1									
	Correlation										
	Sig. (2-tailed)										
	N	82									
2. Lodging employees	Pearson	.258*	1								
	Correlation										
	Sig. (2-tailed)	0.030									
	N	71	71								
3. Overnight propensity	Pearson	0.207	.639**	1							
	Correlation										
	Sig. (2-tailed)	0.091	0.000								
	N	68	57	68							
4. Tourism growth rate	Pearson	0.008	0.096	0.107	1						
	Correlation										
	Sig. (2-tailed)	0.944	0.427	0.387							
	N	82	71	68	82						

Variables		1	2	3	4	5	6	7	8	9	10
5. Ratio of HMT revenue to general fund	Pearson Correlation	-0.001	.252*	.258*	.347**	1					
	Sig. (2-tailed)	0.990	0.034	0.033	0.001						
	N	82	71	68	82	82					
6. Ratio of property tax rev to general fund	Pearson Correlation	-0.049	0.179	-0.198	-0.048	-	1				
	Sig. (2-tailed)	0.662	0.136	0.105	0.666	.290**					
	N	82	71	68	82	82	82				
7. Sales tax rates	Pearson Correlation	-0.095	-0.181	-0.121	-0.138	-0.188	-0.005	1			
	Sig. (2-tailed)	0.394	0.132	0.325	0.218	0.090	0.966				
	N	82	71	68	82	82	82	82			
8. Neighbor rates	Pearson Correlation	.291**	0.148	0.106	0.095	0.067	-0.063	-0.167	1		
	Sig. (2-tailed)	0.008	0.222	0.394	0.398	0.552	0.578	0.137			
	N	81	70	67	81	81	81	81	81		
9. Pop growth rate	Pearson Correlation	0.033	.262*	.389**	0.216	-0.004	0.087	-	0.207	1	
	Sig. (2-tailed)	0.769	0.027	0.001	0.051	0.973	0.437	.404**	0.000	0.064	
	N	82	71	68	82	82	82	82	81	82	
10. Republican	Pearson Correlation	-.279*	-	-.256*	0.135	0.066	-0.017	-0.146	-0.160	0.049	1
	Sig. (2-tailed)	0.011	0.000	0.035	0.226	0.556	0.877	0.192	0.152	0.661	
	N	82	71	68	82	82	82	82	81	82	82

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 5 presents the results of the regression analysis. Despite the absence of multicollinearity among the independent variables, the overall model fit (as measured by the adjusted R-square) is weak. None of the independent variables are significantly associated with the HMT rate at the $p = 0.01$ level. We also conducted a stepwise regression to construct a more feasible model, but none of the reduced models improved the model fit or the relationship between the HMT rate and the independent variables. We also tested the population instead of the population growth rate, but the results were similar.

TABLE 5
REGRESSION ANALYSIS

	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	12.073	4.615		2.616	0.012		
Lodging employees (log)	0.270	0.450	0.107	0.601	0.551	0.543	1.842
Overnight propensity	0.035	0.045	0.155	0.788	0.435	0.448	2.232
Tourism growth rate	0.002	0.011	0.026	0.181	0.857	0.845	1.183
Ratio of HM tax rev to general fund	-10.520	16.454	-0.098	-0.639	0.526	0.738	1.355
Ratio of property tax rev to general fund	-2.537	2.619	-0.139	-0.969	0.338	0.844	1.184
Sales tax rates	-0.748	0.429	-0.275	-1.743	0.088	0.699	1.430
Neighbor rates	0.075	0.178	0.063	0.418	0.678	0.775	1.291
Pop growth rate	-0.049	0.024	-0.336	-2.059	0.055	0.653	1.531
Republican ratio	-0.898	1.509	-0.095	-0.595	0.555	0.678	1.474

Model fit: R-square: .202, Adjusted R-square: .046

DISCUSSION AND CONCLUSION

This study aimed to develop a determinant model for HMT rates using county data and to test its validity. Despite the limited data, the test results were consistent with prior studies on sales tax (Sjoquist et al., 2005; Luna, 2004; Rork, 2003; Hill, 2005). As expected, neighboring HMT rates were found to be positively associated with a county's HMT rate. This suggests that local governments find it easier to adopt a higher HMT rate than a sales tax rate, which is often affected by voter-referendum-based SPLOSTs. Additionally, HMT's relatively lower demand elasticity makes it easier to increase the rate.

The study found that the political environment affects HMT rates, with a higher Republican ratio being associated with a lower HMT rate. It reflects a traditional view of a conservative tax attitude. In Georgia, the rural areas typically have a higher Republican ratio, which corresponds with a lower HMT rate. However, the relationship appears to be weak due to the limited revenue impact of HMT in smaller governments or areas where there are few lodging businesses.

This study used lodging employees as a proxy for lodging industry size, assuming a positive relationship with the HMT rate. The larger the lodging industry, the higher the HMT rate. In a typical situation, metro and larger city centers have more lodging facilities, where the HMT rate tends to be higher. Based on the benefit-based approach, hotels and motels are direct beneficiaries of tourism, and hotels and motels are supposed to pay the additional cost incurred by the tourists. When tourism increases, the increasing demand for events and tourist attraction infrastructure investments make local hotels and motels contribute more. With tourism growth, the tendency of HMT to rise would sustain in the future, along with the influence of neighbor's rates.

However, the study's limitation lies in the weak model fit and the relationship among the variables. Therefore, future research should explore more diverse approaches, such as surveys with local government

managers or collaborative research with hotel industry research groups. Additionally, the deficiency of city-based tourism data, especially in medium and smaller localities, is critical in testing the determinant model.

In conclusion, this study highlights the importance of neighboring HMT rates, lodging industry size, and political environment in determining HMT rates. While the study's findings have limitations, they provide a starting point for future research to develop more comprehensive and accurate models. Such models can be useful for policymakers and local governments in determining appropriate HMT rates that can sustainably support local tourism development.

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