

February 3, 2009

Governor Deval L. Patrick
State House, Room 360
24 Beacon Street
Boston, MA 02133

Dear Governor Patrick:

The Salem Chamber of Commerce opposes the Patrick Administration's initiative to increase the state sales tax on meals by 1%, and is strongly opposed to a second proposal to give communities the option of levying a 1% local meals tax on top of that. The Patrick Administration's Plan also allows for a similar increase in the Hotel/Motel Tax (from 5.75% to 6.75%), and allows communities a 1% levy on top of that as well.

The local option tax has come up before. In 2007 it was proposed as part of the Municipal Partnership Act. The proposal was defeated then, and it should not pass now.

We think it is wrong to single out restaurants & hotels for a tax increase while leaving the other industries that are subject to sales tax untouched.

An additional tax on restaurant meals will drive away sales, especially on the North Shore and other areas bordering New Hampshire, particularly in the midst of a tough recession and dwindling revenues in the hospitality industry. The average American spends 47.9% of their food budget at restaurants, according to the National Restaurant Association. Dining out has become a regular part of the way people feed their families. The new local option tax is a regressive tax that will be felt most by those on the lower end of the socio-economic scale.

And don't think it is the tourists that will be paying the most. Looking at Salem, a recent retail study found that 80 % of all business in the downtown area comes from Salem and the four surrounding communities, and 20% from visitors and tourists.

Both the hotel/motel tax and the meals tax will be issues that will become points of difference for hotel properties giving proposals to groups seeking places to hold meetings and conferences. The hotel/motel tax is already 9.7% in Salem (hotel/motel tax is charged in addition to the sales tax), and a rise of 1% will make it 10.7% and a rise of 2% will make it 11.7%. When groups who meet in this area "shop" for conference proposals, they often compare Salem to similar-sized communities in New Hampshire (such as Portsmouth), and in Maine (such as Portland). Currently the Hotel/motel tax

in NH is 8%, and in Maine is 7%. A meeting planner will react favorably to the proposals from NH and Maine when seeing the dollar difference. Even

tourists who shop for the best rate, already are taken back by the nearly 10% tax hotels must charge. The new rates will even exceed some of the membership discounts given to AAA or AARP members (traditionally 10%).

Other cost increasing factors should be considered. Many hotel/restaurants will have to buy new software and reprogram cash registers to facilitate the new initiative. And many multi-unit restaurants don't report their sales in the individual communities in which they are located, but instead pay them in one corporate location. This proposal would be extremely costly for these operators to change accounting methods.

In summary, the Salem Chamber of Commerce recommends the Patrick Administration withdraw its unfair proposal for a regressive tax that would hurt an already struggling industry. Cities and towns should not be in the business of raising individual sales taxes, and by doing so creating unfair competition between the towns and cities within the Commonwealth. Taxes should remain under the authority of the Legislature.

Kind regards,

Rinus Oosthoek
Executive Director

cc. Fred Berry, John Keenan, Mayor Driscoll