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## AMERICANS FOR TAX REFORM FOUNDATION

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### Taxing Your Sleep

By Peter J. Ferrara

After you finally completed your income tax return last April and mailed it off, you may have needed to get away for a few days. So you may have decided to spend a few nights at your favorite getaway. What you probably didn't realize was how much you were paying in taxes again when you paid your hotel bill.

The consumer generally must pay a state sales and use tax on the hotel room of about 7%. Local occupancy taxes charge another 6%. This means the consumer directly pays at least 13% of the cost of a hotel room in taxes.

But that is just the beginning. Out of the amount the consumer pays to the hotel, the hotel must pay Federal income taxes, state income taxes, Federal payroll taxes, sales taxes, capital gains taxes, unemployment insurance taxes, workmen's compensation taxes, business license taxes and fees, utility taxes, local property taxes, and any local income taxes. The hotel must also pay Federal and state excise taxes on its telephones.

Altogether, these taxes average about 30% of the price of a hotel room. Counting the taxes paid directly by the consumer, this means about 43% of what you pay for a hotel room goes to the government in taxes rather than for the room. Out of an average price for hotel rooms of \$80 per night, this means about \$34.40 goes for taxes. Everything that goes into building and maintaining the hotel room is paid for by the 57% of the rate charged to the consumer, or about \$45.60 on average, remaining after taxes are paid.

A number of jurisdictions impose additional taxes on hotel guests as well. This includes a nightly utility tax, a liquor excise tax, and a food and beverage tax. A telephone excise tax is also charged on the use of all phones.

These taxes are unfair to workers. In a democracy, taxes should not be hidden in the prices of products people buy. They should be explicit and clear, so that voters can determine whether they think those taxes are worth what they are getting from their government.

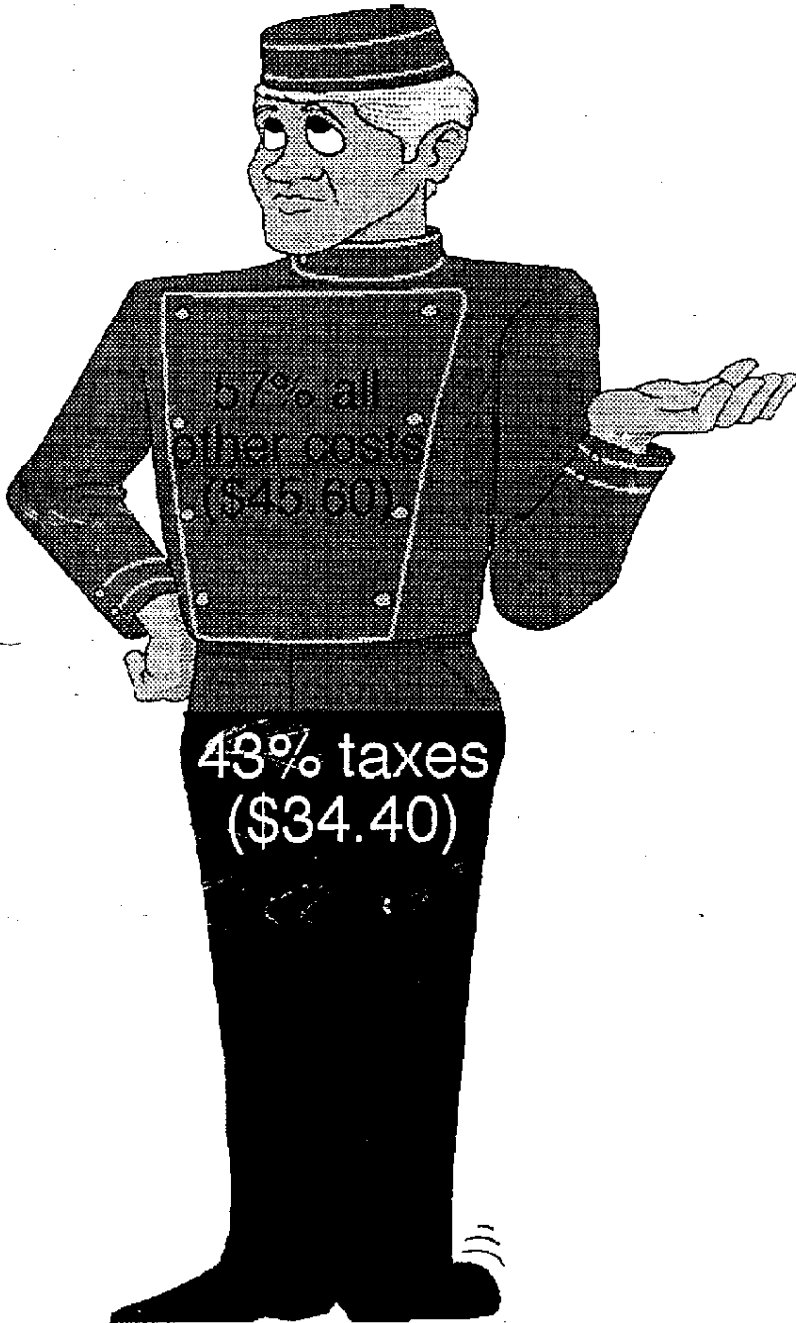
Thomas Jefferson wrote, "Government should not take out of the mouth of labor the bread that it has earned." But that is exactly what our greedy and overreaching government does today. It taxes you on your income when you earn it, and taxes it again when you spend it, and taxes you over and over again along the way. As a result, the average family today actually pays more in taxes than on food, clothing, and shelter combined.

Tax relief for working people is long overdue. Such tax reduction would give workers more control over their own incomes and economic future. A major tax reduction would also greatly stimulate the economy, leading to more jobs, higher wages, and expanded economic opportunity and prosperity.

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# Average cost of a hotel room: \$80



## Taxes Imposed on Hotels

- Federal Income Taxes
- Federal Payroll Taxes
- State Income Taxes
- State Sales and Use Taxes
- Unemployment Insurance Taxes
- Workmen's Compensation Taxes
- State Property Taxes
- Business License Taxes and Fees
- Local Occupancy Taxes
- Local Property Taxes
- Local Income Taxes
- Telephone Excise Taxes
- Utility Taxes
- Liquor Excise Taxes
- Food and Beverage Taxes