

## UT Study: Tourism Industry to Benefit from Tax Rebates

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Many of the tax rebate checks coming soon to individuals and families across the country likely will be spent on summer and fall vacations.

That is the finding of a study by the Tourism Institute at the University of Tennessee, Knoxville.

Stephen Morse, economist and director of the Tourism Institute, and Warren Jahn, who worked on the research while completing his doctorate at UT and is now a revenue management consultant for Global Revenue Management with InterContinental Hotels Group, found five reasons why the tax rebates have the potential to boost the travel and tourism industry.

The 2008 Economic Stimulus Act was approved by Congress in February and will put \$106 billion in the hands of taxpayers in the form of tax rebates that will be sent out in May. Some people will qualify for up to \$600 while families could get \$1,200 plus \$300 for each child. A family of four could receive \$1,800.

"With new cash in the hands of potential travelers in May, the timing of the cash rebates could not have been better for consumers considering vacations and for firms in the U.S. travel and tourism industry including airlines, hoteliers, rental car firms, restaurants and popular vacation destinations," the study states.

The study breaks down the findings into five reasons:

1. Most consumers spend more than they plan after receiving rebates -- Consumers often say they plan to spend less and save more of rebates. But a survey of how people spent similar tax rebates in 2001, found that consumers spent more than they previously indicated, often on trips.
2. Perfect timing -- The rebates will be received during the 60-day period when consumers make most summer and fall vacation plans.
3. Targeted marketing campaigns with travel deals will attract consumers -- The study predicts there will be an increase in competition among travel providers to offer family package specials and weekend getaways and entice people to spend their money on vacations.
4. Consumers could use tax rebates to offset higher gas prices -- In 2006, gas prices soared to \$3 in the wake of Hurricane Katrina, but consumers were not deterred from traveling. Many consumers made tradeoffs by taking shorter trips or spending less while on vacation.
5. People want to reward themselves and escape -- Some people receiving the tax rebates will view them as an unexpected one-time gift that is not part of their usual household budget and will decide to reward themselves with a weekend getaway or extended vacation. Even in a slow economy, people want to escape issues of everyday life with a vacation.

The study also predicts increased spending on travel will boost the U.S. economy as a whole. The intent of the stimulus act is for consumers to buy products and services produced in the U.S. instead of foreign goods.

"Spending on travel and tourism represents one way consumers can support the U.S. economy and generate jobs in the hotels, restaurants, transportation, attractions and the businesses that support them," according to the study. "Travel- and tourism-generated jobs will never be outsourced to another country."

The Tourism Institute is part of the Department of Retail, Hospitality and Tourism Management in the College of Education, Health and Human Sciences.

To download a copy of the full report, go to <http://web.utk.edu/~tourism/index.shtml> and click on Research Publications.

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