



# ACCOUNTABILITY OF TAX HOSTING SERVICES IN THE STATE OF SONORA, MEXICO.

Carrillo Cisneros Esthela

Ley Federal del Trabajo y Perimetral Col Apolo s.n. C.P. 83100

## ABSTRACT

*This document aims to study the Tax hosting service in the State of Sonora, Mexico and accountability, given the need to be supervised, handled with transparency and control. The tax is part of a mechanism for promoting tourism in the state, nevertheless government administration to the Convention and Visitors Bureaus (OCV) is devoid of clarity; causing lack of commitment to the hotel industry and hence in tourism. A questionnaire 46 lodging establishments in order to collect directly the perception of hotel sector was applied; in order to identify the importance of the variables investigated. Results suggest: 1) The need for regulation of lodging tax, 2) Relevance of the lodging tax, 3) Transparency in the management and 4) The need for control of the tax; mainly.*

**KEYWORDS :** lodging tax, accountability, government administration.

## INTRODUCTION

In Mexico, tourism is one of the biggest generators of investment, employment and foreign exchange earnings. The National Institute of Statistics, Geography and Informatics (INEGI, 2014) through the Tourism Satellite Account of Mexico (CSTM), shows that this activity contributes 8.7 percent to the national GDP and forming part of the composition of Gross Domestic Product tourist (PIBT). In this context is the Accommodation Tax Service, whose assessment of state level since FY 2013 (previously municipal nature), was created to be used for development and tourism promotion.

This tax is generated by the provision of lodging services that grant physical and legal entities in the state of Sonora, whose taxable rate amounts to 2% of the value of the consideration. As the preamble to the Finance Act of the State of Sonora, Mexico (2014), for tax funds collected by the Provision of Services Hosting, it notes you plan to administer a comprehensive vision of development, which would allow make tourism in the state of Sonora, the guiding axis of one of the economic activities and the means to generate new job opportunities and improved quality of life for the population in general axis, respecting the vocations of each municipality. In this sense, it aims to study the tax lodging service in the State of Sonora, Mexico; including governance and accountability, given the need to be supervised and handled with transparency and control.

## OBJECTIVES

**General Objective:** To evaluate the administrative proceeding Tax Hosting Service in compliance with government regulations, efficient and transparent management in tourism development in the state.

### Specific objectives:

- To assess perception of the hotel industry in the governance of lodging tax.
- To analyze the fundraising budget versus the lodging tax
- To examine the audit, management, transparency and accountability of the tax on lodging in the tourism development.

## RESEARCH QUESTIONS

Is the income budgeted in the Revenue Act versus reported revenue on public finances of the state of Sonora?

Is there any public information concerning the results of the audit of the lodging tax in the State of Sonora?

What is the perception of the hotel industry regarding the governance of the lodging tax in the state of Sonora?

## WORKING HYPOTHESIS

**H1.** The perception of the hotel reflects unfavorable opinion or disagreement regarding the governance of lodging tax.

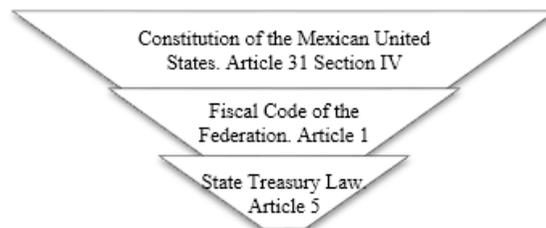
**H2.** The revenues obtained from the tax on lodging published in the state's public finances are not congruent with the budgeted income in

the Law on state income Sonora.

## REFERENTIAL THEORETICAL FRAMEWORK

A fundamental aspect for the implementation and operation for the implementation and operation of taxation in Mexico, is the legality and validity to be met by all contributions, therefore, in the case of tax hosting service, its legal basis is as follows:

**Figure 1: Pyramid of the legal basis of the Lodging Tax**



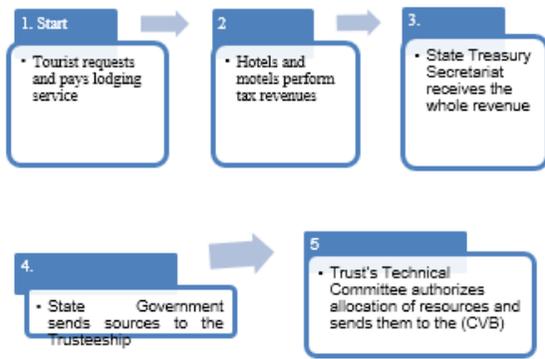
**Source:** Own preparation with data from federal and state laws of Sonora.

Moreover, in governmental management and transparency, some investigators note the significant impact of state aid in the tourism development and the construction of appropriate public policies (Bernini & Pellegrini, 2013; Dalonso, Lourenço, Remoaldo & Panosso, 2014 and Wang & Xu 2011). While Kerr, Barron & Wood (2001) show that there are different opinions as each investigator, regarding the government contribution in tourism development.

It is relevant as Zizaldr (2010) points out, [...] Just by observing the areas in which actors and stakeholders in tourism are developed, the need for reciprocity in concrete or bonus shares is perceived, because their actions ranging from local national global, sub-global, and destination.

Furthermore, the way in which the various agencies involved in the tourism operation relate is very important, because it is due to this relationship that optimal activities can be made or in the opposite situation, there may be problems in the flow of operation affecting the final result (Cuevas & Carrillo, 2015); so it refers to the state of Sonora, in the following figure flow lodging tax is displayed.

**Figure 2: Creation and destination of the Tax on Hosting Service in the State of Sonora**



Source: Own preparation with data from State Treasury Law.

Firstly, Do keep in mind that the essential elements of public management are: a) access to information, b) transparency and c) accountability. According to Ugalde (2002), "Rendición de cuentas is inaccurate translation of the English word accountability, which means" the state of being subject to the obligation to report, explain or justify something "; [...] "To be responsible for something {reliable}" [...] "being subjected and responsible to account and answer questions {answerable}".

From the above, it means that accountability is intended to inform the management of resources by the government to the citizen, by setting out the mechanisms that allow feedback between the two actors. Another contribution of the issue related to accountability, is the opinion of Almeida (2004),

[...] Accountability is defined as a continuing obligation to the leaders (or "agents") to inform their constituents (or 'heads') about the acts carried out as a result of a delegation of authority which is performed through a formal or informal contract that involves sanctions for non-compliance. Constituents also supervise the leaders in order to ensure that the information provided is reliable.

**METHODOLOGY**

This research is focused from quantitative and qualitative aspect. This non-probability sample survey was chosen conveniently. From the latter, information it was collected through a questionnaire designed on 5-point Likert scale in order to measure the opinions of the respondents. 49 surveys were conducted in 46 hotels between Hermosillo and San Luis River Colorado, for the purpose of knowing the opinion of the hotel industry during the month of August 2014. In this regard, through the process data in the statistical system SPSS v19 was carried out the calculation of Pearson correlation; in order to identify the relevant correlations between the variables of this research.

**RESULTS**

Out of the 46 surveyed establishments (40) 87% correspond to Hermosillo and (6) 13% to San Luis Rio Colorado. Participants were divided into two types, hotels and motels. Hotel (31) with 67%; Motel (14) accounting for 30%; and Other (1) constituting only 2%.

**Table 1: Hotels y motels in Sonora by rating**

Rate	Hotels y Motels	Percentage
5	2	4%
4	17	37%
3	7	15%
2	1	2%
1	0	0%
Unrated	19	41%
Total	46	100%

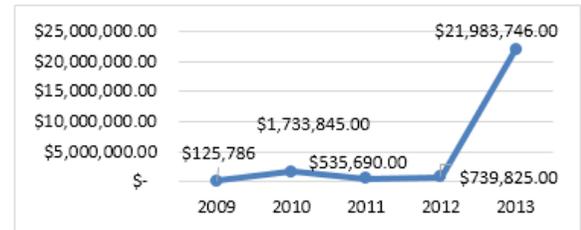
Source: Own preparation with data from CVB Hermosillo. Based on

the Mexican Hotel Classification System (MHCS).

**Analysis of tax collected**

Figure 3 shows the analysis of the lodging tax revenue is represented, which, showed variations in their behavior during the period 2009 to 2013 as detailed below:

**Figure 3: Graphic of Revenue received from Tax Lodging Service (Quantities in pesos)**



Source: Own preparation with data published on public finances at the National Institute of Statistics, Geography and Informatics (INEGI) 2009-2014.

**Variation of budgeted tax versus income**

With the information of the budgetary income and income collected lodging tax, significant variations between them were obtained. The behavior of the collected income from tax reflects wide variations, that is, if we average the differences between budgeted against what was actually earned, an average percentage of 80.51% negatives is generated, i.e. \$ 56,698,625.00 (fifty-six million, six hundred ninety-eight thousand six hundred twenty-five pesos 00/100 MN) of revenue that had been budgeted in those five years were not collected; a situation that evidences the lack of transparency in the administrative process of public and / or private finances that are generated in the context of this tax; concentrated variations in Figure 4.

**Figure 4: Tax per Lodging: Budgeted versus income in Sonora (Quantities in pesos)**



Source: Own preparation with data published on public finances at the National Institute of Statistics, Geography and Informatics (INEGI) 2009-2014 and Revenue Act of the State of Sonora 2009-2015

**Results of the survey conducted in the hotel industry**

The responses of higher percentage (75%) of the total respondents considered "a lot and fairly" important to have the lodging tax for tourism development in the state. The average the total number of responses resulted processed 3.9 (on a Likert scale of 1-5) and Sd = 1.547. Regarding the part of the tax control, the integral responses in the highest percentage (91.7%) responded in the range of "a lot" and "fairly" important that the hosting service tax should be audited resulting in an average of 4.5 and SD = .968

In the government management of the tax, views obtained show that 58.3% said there is "nothing and little" transparency in the management and control of the tax; the response rate is 2.69 and SD = 1.432. Regarding the CVB, the responses turned out that 81.3% of respondents considered "a lot and fairly" important the existence of these offices for tourism development in the state.

**PEARSON'S BIVARIATED CORRELATION**

In this Table 2, the Pearson correlations between these variables are detailed in the tax on lodging service, noting that there is a significant correlation between the need to audit tax using the transparency and control of this tax (.376). The following significant correlation is displayed between the importance of the existence of tax and the need to audit tax (.362).

There is also correlation between the importance of the existence of tax and its alignment with a strategic plan for tourism development (.324). In the same way, it turned out to exist between the importance of lodging tax and the presence of the offices (CVB) for tourism development (.356)

**Table 2: Variables correlation of the Tax on Hosting Service**

Tax Lodging Service	Importance Existence Tax	TA	CT	TD/PE
(TA) Tax Audit	.362*			
	.011			
(CT) Control and Transparency	.129	.376**		
	.382	.008		
(TD/PE) Touristic Development/ Strategic Arrangement	.324*	.169	.253	
	.024	.252	.082	
(CVB)	.356*	.144	.106	.153
	.013	.330	.473	.300

\* The correlation is significant at 0,05 level (bilateral). \*\* The correlation is significant at 0.01 level. (bilateral).

**CONCLUSIONS**

The study of Tax lodging service in the State of Sonora, Mexico; given the governmental management and accountability, denotes failure in its control, management, transparency and control. Although the tax is part of a mechanism for promoting tourism in the state, government management to the Convention and Visitors Bureaus has been lacking clarity in its handling.

Over the course of the analysis of literature on the subject of the hotel tax, globally, it identifies that the burden denotes relevance and need for efficient public management.

A behavior that is not coherent with the income earned from tax on lodging published on public finances against the revenues that were budgeted on the Revenue Act of the State of Sonora is displayed.

In previous years, non-public information was located on audit results of this tax, situations that support the need for greater oversight of this tax; opinion that is evidenced by data from the 91.7% of the responses from hotelier tend to reflect that is it very important that the lodging tax should be mostly supervised.

Similarly, the first hypothesis was demonstrated, derived from quantitative data with the results concerning the perception of the hotelier tend toward an unfavorable opinion on the governmental management of the lodging tax of the state of Sonora. In other words, it was shown that the transition to the state of public administration of the tax made progress in transparency and governmental management; In that sense, a constant in the control flow of tax assessment is needed, such a way that the areas of opportunity be displayed and make an effective impact on the purpose and goals, for which this tax was created, aligned to the state development plan on terms of tourism development.

Finally, as a result, tourism development is inherent in the economic growth of the state, which in turn depends partly on tax collection, so regulatory compliance and transparent governmental management on the parties concerned will contribute automatically to tourist development of the state when generating resources for the state's economy.

On the other hand Lagunas (2014), in his analysis of the collection of lodging tax in one of the major tourist states, points out:

[...] It is important to extend the application to the field of accounting, and particularly on tax revenues, since detailed studies on the concepts of higher amounts for public resources, rather than integrating them into revenue laws, they should be the main inputs to correct imbalances in the tax system, addressing the behavior of taxpayers, for at least 11 years, repetitive behavior at a constant way to force pay taxes is demonstrated.

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