

2026

Economic Impacts of Alberta Tourism Tax Increases and Political Uncertainty





Summary

Economic Impacts of Alberta Tourism Fee Increases and Political Uncertainty

Travel Alberta/George Simhoni

TOURISM
INDUSTRY
ASSOCIATION 

Verum Consulting 

In Budget 2026-27 the Alberta government announced an increase to the Alberta Tourism Levy from 4% to 6%, as well as a new 6% vehicle rental tax to take effect in 2027. The added revenues will flow into government general revenue. In addition, Alberta could have a referendum on separation in October 2026, which is anticipated to create investment uncertainty for business.

TIAA conducted a survey of Alberta tourism and hospitality businesses to gauge the impact of these measures on the industry. Verum Consulting conducted an economic analysis on behalf of TIAA. A total of 157 responses were received representing a breadth of tourism sectors broadly distributed across the province.

1. Impact of Increased Tourism Fees on Alberta's Visitor Economy

The province estimates annual incremental revenues from the 2% increase in the Alberta Tourism Levy (ATL) at \$66 million, and the incremental 6% vehicle registration tax is expected to generate \$36 million annually.¹ The value of visitor spending in these two categories is thus equal to \$3.3 billion and \$600 million respectively.

- Applying elasticities of demand to each of these taxes results in a reduction in visitor spending of \$29 million annually for the ATL and \$13 million annually for the VRT, and amount to approximately a 1.1% reduction in visitor spending for these segments.
- Reducing visitor expenditures on accommodation and transportation effectively reduces trip length and, correspondingly, spending levels.
- Assuming visitors spend 1.1% less on all other tourism spending categories, spending will be reduced by \$122 million, for a total decrease of \$164 million from the Alberta economy.



1 Government of Alberta. 2026. Fiscal Plan: Focused on What Matters. Page 122. Available at: <https://open.alberta.ca/dataset/3393a7b5-07bf-4b9f-8aaf-a6d89273297b/resource/58a8d024-398f-482e-b1c2-81a754a97253/download/budget-2026-fiscal-plan-2026-29.pdf>

Impact of ATL Increase and VRT on Visitor Spending (\$Millions)

| | Accommodation | Car Rental | Accommodation + Car Rental | Other Visitor Spending | Total Visitor Spending |
|--|----------------|--------------|----------------------------|------------------------|------------------------|
| Total 2025 Spending | \$3,300 | \$600 | \$3,900 | \$11,300 | \$15,200 |
| Reduced Visitor Spending due to Tax Increases | \$29 | \$13 | \$42 | \$122 | \$164 |

2. Tourism Industry Investor Sentiment Associated with the New Taxes and Political Uncertainty in the Province

Over and above the direct economic losses due to the increased visitor taxes is the anticipated loss of investment associated with the higher taxes and uncertainty in the province surrounding the prospect of Alberta separation from Canada.

TIAA undertook a survey of its members to gauge the impact of these measures on the tourism industry. A total of 157 responses were received representing a breadth of tourism sectors broadly distributed across the province.

The ATL and VRT tax increases combined with the prospect of a referendum on separation are expected to negatively impact the future investment and business outlook for Alberta's tourism industry.

- 43% of respondents expect the ATL tax increase will significantly, or moderately, reduce the likelihood of investment.
- 43% of respondents expect the new VRT tax will significantly, or moderately, negatively impact their business outlook.
- 60% of respondents expect the possibility of a future referendum on separation to significantly, or moderately, pause or delay investment.
- 42% of respondents have postponed (16%), scaled back (22%) and redirected (4%) investment due to recent policy changes or political uncertainty.
- 52% of respondents do not expect delayed/reduced investment to return before the next provincial election, 15% expect it to return within the next 12 months and 11% expect it to return within the next 6 months.



Travel Alberta/Sean Thonson

TWO-FIFTHS OF THE INDUSTRY postponed, scaled back or redirected investment due to recent policy uncertainty.

3. Impact of Investment Losses from Increased Tourism Fees and Uncertainty in the Province

The value of lost investment varied amongst respondents. 29% estimated the lost investment at less than \$250,000, 27% at between \$250 thousand and \$1 million, 20% at between \$1-\$5 million, 6% between \$5-\$20 million and 3% between \$20-\$50 million, and 1% between \$50-\$100 million.

Assuming the mid-point estimate for each range, the total value of delayed/reduced investment is \$270 million if these issues are not resolved.

For every dollar of tourism investment, visitor spending increases by 3.9.²²

- Correspondingly, a loss of \$271 million of investment results in a loss of \$1.1 billion in future visitor spending representing 7% of 2025 visitor spending the province.
- This translates into lower growth for the industry 2026, representing a loss \$775 million in GDP, \$145 million in taxes (of which \$42 million accrues to the province, and \$28 million to municipalities) and 5,300 jobs.

Consequently, in exchange for \$102 million in direct ATL and VRT revenues, the province is expected to forgo \$271 million in investment, 6,100 jobs, \$893 in GDP growth, \$49 million in provincial taxes, and \$32 million in municipal taxes.



²² Regression relationship derived by Verum Consulting, based on data inputs from Statistics Canada visitor spending (Table 36-10-0230-01), and Statistics Canada Tourism Investment Module <https://www150.statcan.gc.ca/n1/daily-quotidien/250213/dq250213b-eng.htm>

Economic Loss due to higher ATL, VRT Uncertainty on Tourism Industry (\$M)

| | VISITOR SPENDING | GDP | JOBS | PROVINCIAL TAX | MUNICIPAL TAX | FEDERAL TAX |
|---|------------------|--------------|-------------|----------------|---------------|-------------|
| Reduction due to ATL and VRT increases | \$164 | \$118 | 813 | \$6 | \$4 | \$12 |
| Reduction due to \$271M investment loss | \$1,069 | \$775 | 5312 | \$42 | \$28 | \$76 |
| Total Reduction | \$1,233 | \$893 | 6125 | \$49 | \$32 | \$87 |

1

Impact of Increased Tourism Fees on Alberta's Visitor Economy



While the tourism sector is known as one of inelastic demand (i.e. a change in price does not necessarily reduce consumption, so businesses are able to pass on higher costs to visitors), this is not universally the case. Economic studies show that “price elasticity of tourism varies significantly across different origins, destinations, products, data frequencies, demand variable measures, modelling methods, and in terms of travel distances.”¹

Domestic visitors, which represent 75% of tourism spending in Alberta, tend to be more price sensitive than international visitors, as are visitors during off-peak seasons (such as in the winter and shoulder months). Demand is also more elastic (i.e. price sensitive) when there is an availability of substitutes, such as other comparable destinations including BC.

Elasticity is also different within the industry. When travelling, accommodation is the most inelastic tourism good² - meaning that visitors will more likely absorb higher prices for accommodation and are more likely to cut spending in other areas such as restaurants, retail, gear and excursions. Transportation is also inelastic in that, like accommodation, visitors generally don't have equitable substitute options for rental cars, and they will likely absorb higher rental car costs on their trip at the expense of other expenditure types.

75%
of all Alberta
tourism
spending is
Albertans
and domestic
visitors

1 Jaume Rossello-Nadal, María Sard. 2026. Tourism Taxation: Balancing revenues, competitiveness and sustainability in destination management. *Journal of Tourism Management*. Volume 113. P. 5. April. Available at: <https://www.sciencedirect.com/science/article/pii/S0261517725001967>

2 Ibid. p 5

When accommodation and transportation costs get too high, visitors can avoid these costs by shortening the length of their trip and/or seeking out alternative destinations at comparable or better pricing.

These are important considerations when setting tax rates and fees. Businesses that are not able to pass along increased costs to visitors are more likely to struggle. This would include: restaurants, retail shops, smaller hotels, and tourism businesses – especially those that are locally owned and operated.

Increased hotel taxes have proven to decrease room sales and deter investment. One noted study found that for every 1% increase in hotel tax charged, room sales declined by 0.44%.³ That said, provided the revenues are reinvested in promoting and growing industry, visitor activity can actually increase after a levy is introduced.⁴

For the rental car levy, the price elasticity of demand has been estimated at $-.36$, indicating that a 1% increase in price reduces rental car spending by $.36\%$.⁵

The province estimates annual incremental revenues from the 2% increase in the Alberta Tourism Levy (ATL) at \$66 million, and the incremental 6% vehicle registration tax is expected to generate \$36 million annually.⁶ The value of the spending of the spending in these two categories is thus equal to \$3.3 billion and \$600 million respectively.

Applying the elasticities of demand to each of these taxes results in a reduction in visitor spending of \$29 million annually for the ATL and \$13 million annually for the VRT, and amount to approximately a 1.1% reduction in visitor spending for these segments.



**For every 1% increase in hotel tax
Room sales declined by 0.44%⁴**

3 Tavares, Kevin. 2010. Trends in Taxation on Tourism Services & Products. Page 4.

Available at: <https://atrium.lib.uoguelph.ca/server/api/core/bitstreams/800a7c87-90af-45bc-ba58-89c97b24f47e/content>

4 Hudson, Meng, Kam Fung So, and Smith. 2019. The effect of lodging tax increases on US destinations. Page 2

Available at: https://www.researchgate.net/publication/337627063_The_effect_of_lodging_tax_increases_on_US_destinations

5 University of Waterloo. Menezes, Antonio. Uzagalieva, Ainura. 2013. The Demand of Car Rentals: a Microeconomic Approach with Count Models and Survey Data. Review of Economic Analysis 3 (2013) 25-41. Page 37.

6 Government of Alberta. 2026. Fiscal Plan: Focused on What Matters. Page 122. Available at: <https://open.alberta.ca/dataset/3393a7b5-07bf-4b9f-8aaf-a6d89273297b/resource/58a8d024-398f-482e-b1c2-81a754a97253/download/budget-2026-fiscal-plan-2026-29.pdf>

Impact of ATL Increase and VRT on Visitor Spending (\$Millions)

| | Accommodation | Car Rental | Accommodation + Car Rental | Other Visitor Spending | Total Visitor Spending |
|--|----------------|--------------|----------------------------|------------------------|------------------------|
| Total 2025 Spending | \$3,300 | \$600 | \$3,900 | \$11,300 | \$15,200 |
| Reduced Visitor Spending due to Increased Taxes | \$29 | \$13 | \$42 | \$122 | \$164 |

These spending reductions will be realized by visitors lowering the costs of their trip by seeking more cost-effective accommodation and rental options, cutting visitor costs elsewhere, and/or shortening the length of their trips.

Reducing visitor expenditures on accommodation and transportation effectively reduces trip length and, correspondingly, spending levels.

Assuming visitors spend 1.1% less on all other tourism spending categories, spending will be reduced by \$122 million, for a total decrease of \$164 million from the Alberta economy.

This reduction will have a broader impact on the overall economy, resulting in an estimated loss of 813 jobs, \$119 million in GDP and a loss of \$22 million in tax revenue.



\$164 Million
 contraction in visitor spending
 due to the higher ATL & new VRT

Travel Alberta/Sabrina Hill

2

Tourism Industry Investment Sentiment



Leigh McAdam @hikebiketravel

New Taxes and Political Uncertainty in the Province

Over and above the direct economic losses due to the increased visitor taxes is the anticipated loss of investment associated with the higher taxes and uncertainty in the province surrounding the prospect of Alberta separation from Canada.

TIAA undertook a survey of its members to gauge the impact of these measures on the tourism industry. A total of 157 responses were received representing a breadth of tourism sectors broadly distributed across the province.

42% of Alberta tourism businesses have postponed, scaled back or redirected investment due to recent provincial policy changes or political uncertainty.

An Alberta tourism sentiment survey was executed by TIAA from March 9 - March 27, 2026

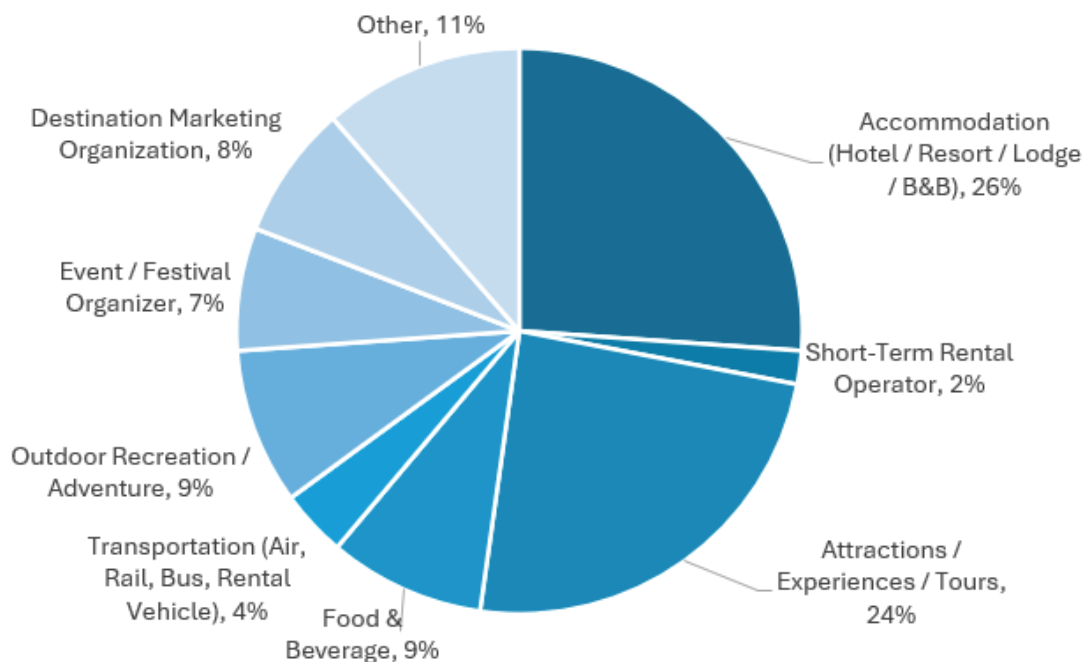
- 43% of respondents expect the ATL tax increase will significantly, or moderately, reduce the likelihood of investment.
- 43% of respondents expect the new VRT tax will significantly, or moderately, negatively impact their business outlook.
- 60% of respondents expect the possibility of a future referendum on separation to significantly, or moderately, pause or delay investment.
- 42% of respondents have postponed (16%), scaled back (22%) and redirected (4%) investment due to recent policy changes or political uncertainty.
- 52% of respondents do not expect delayed/reduced investment to return before the next provincial election, 15% expect it to return within the next 12 months and 11% expect it to return within the next 6 months.



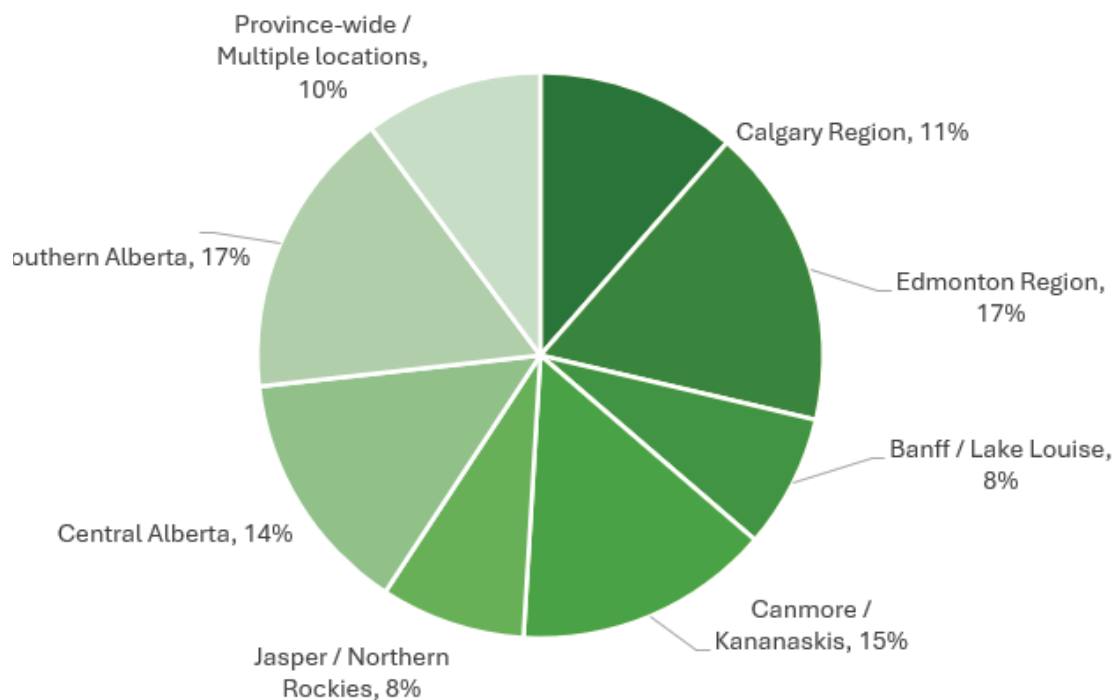
Travel Alberta/Sabrina Hill

157 Alberta respondents, sectorally and geographically representative of Alberta

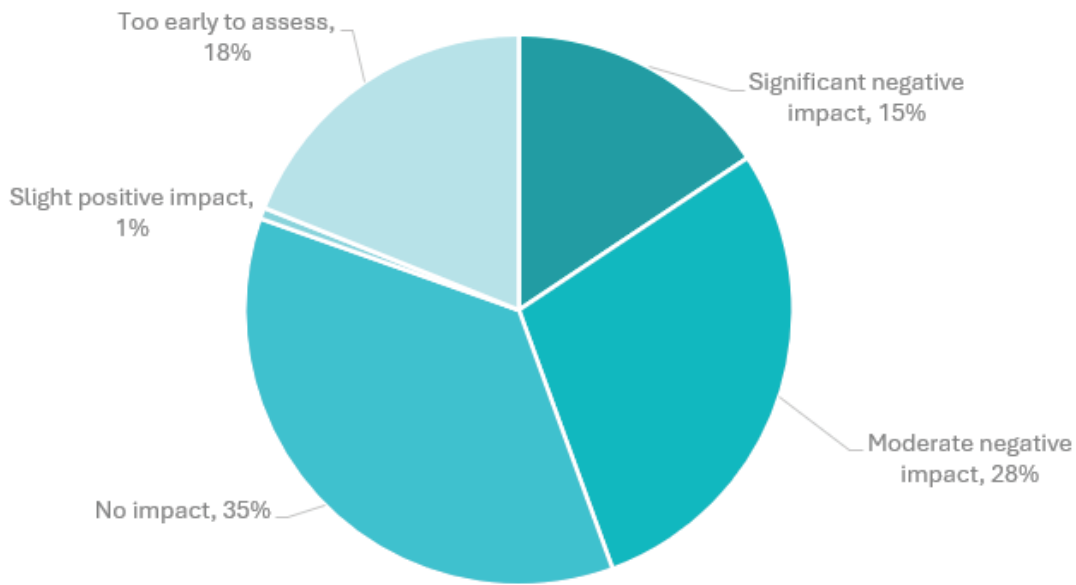
Respondent Profile (N=157)



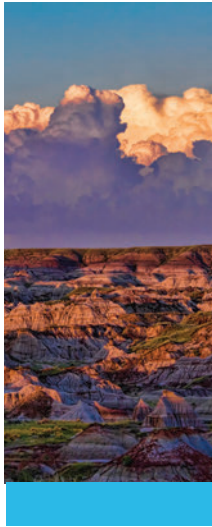
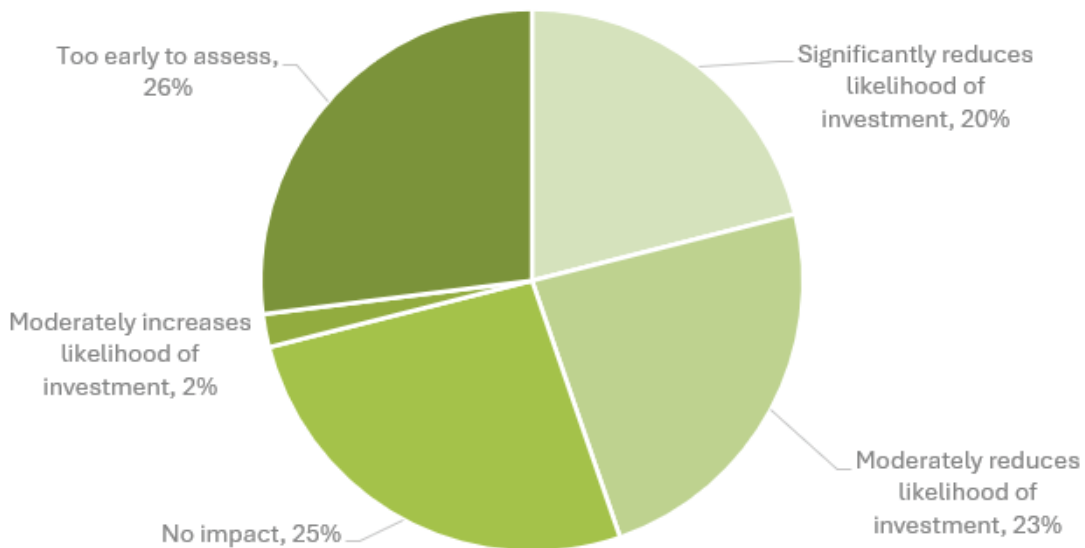
Respondent Location (N=157)



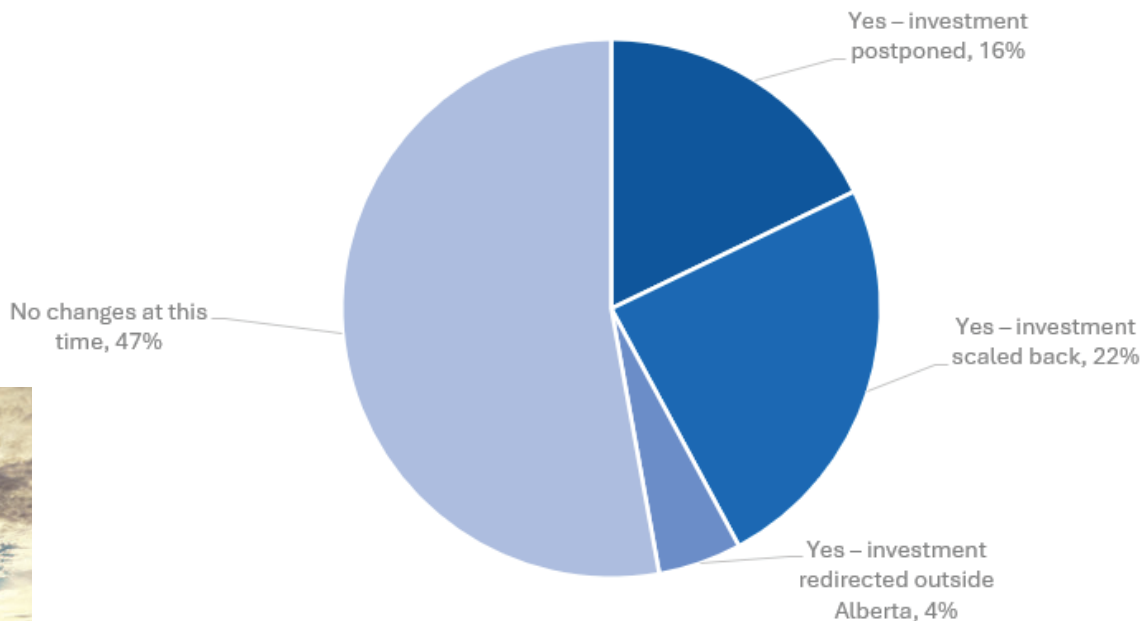
To what degree does the new rental vehicle tax influence your business outlook?



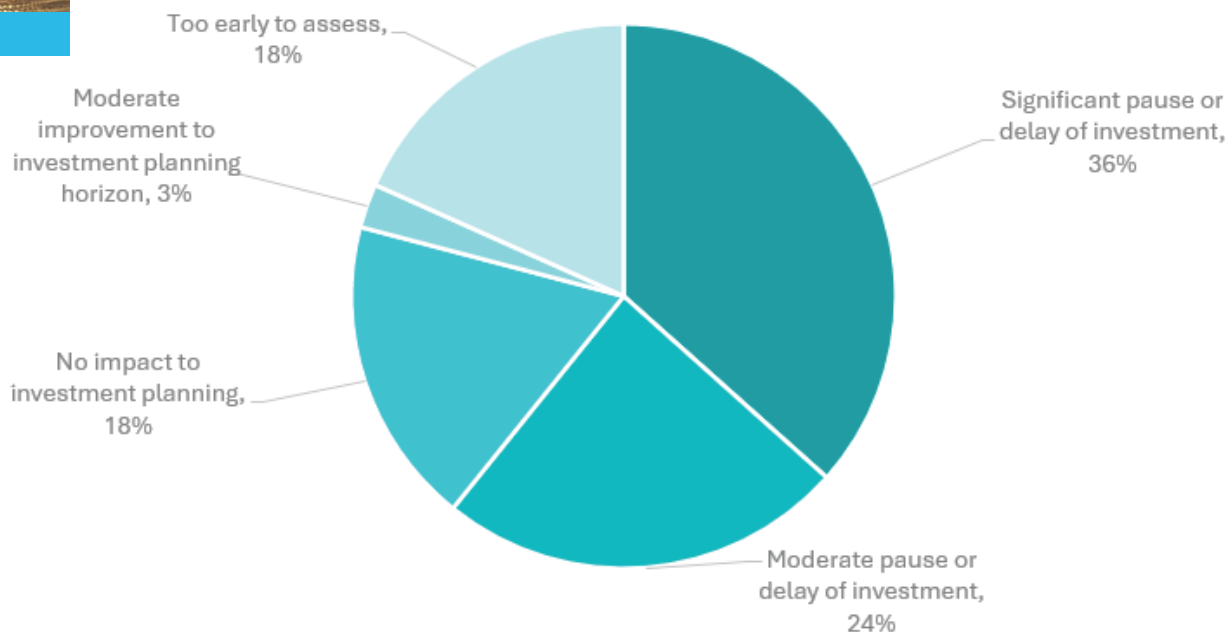
To what degree do significant tax increases, such as the new 150% increase in the Alberta Tourism Levy, influence your investment plans?



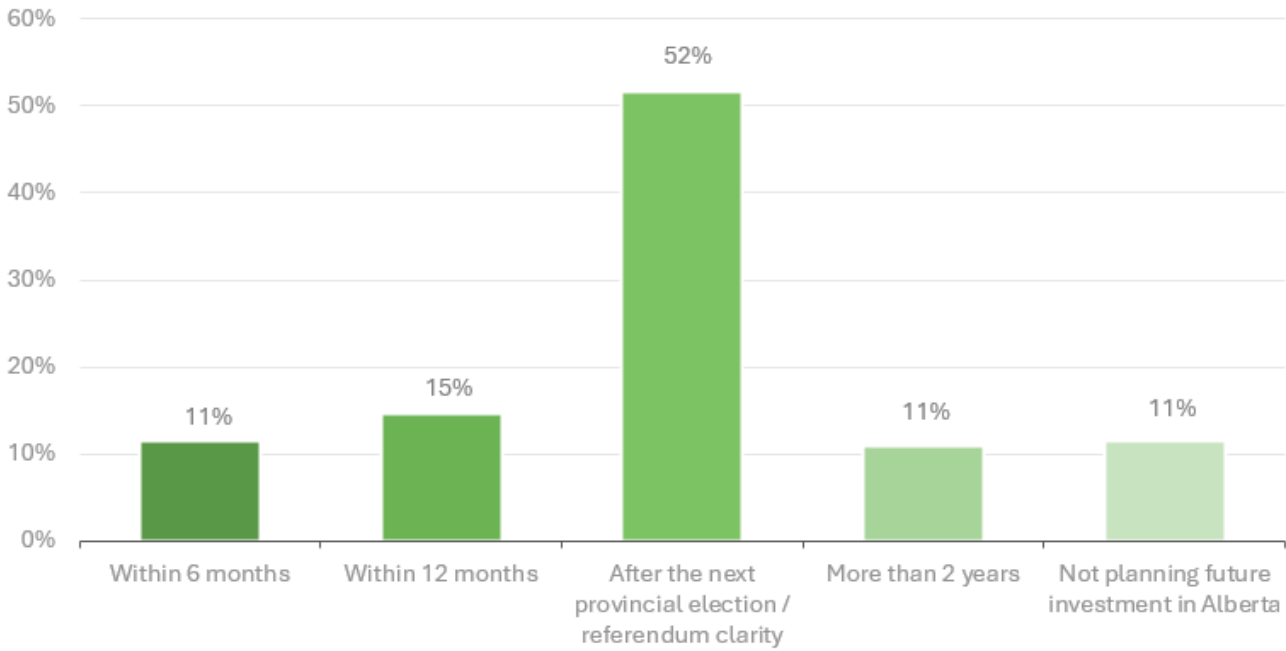
Has your business already changed investment timing or scale due to the recent policy changes or current political uncertainty?



How does the possibility of a future referendum on Alberta separation influence your investment planning?



If investment is delayed or reduced, when might it resume?



Impact of Tourism Fee Hikes and Provincial Uncertainty

Increased tourism fees, coupled with policy uncertainty around the province's place in confederation are contributing to significant investment uncertainty and declining business confidence for Alberta tourism operators.

Travel Alberta / Phil Copithorne

While the direct impacts of the new 6% Vehicle Rental Tax (VRT) and the 6% Alberta Tourism Levy (ATL) reduce immediate visitor spending by an estimated \$164 million annually, the aggregate economic penalty is significantly larger. Compounded by political uncertainty regarding the Oct 19 referendum, these policy shifts have stalled private capital, critically undermining the sector's trajectory toward the province's \$25 billion tourism revenue target.

Half of the respondents provided a value of delayed or reconsidered projects in light of recent policy changes and political conditions; of those, 40% were reconsidering projects of between 1MM and 100MM dollars.

40% reconsidering projects of between 1MM and 100MM dollars due to tax increases and policy uncertainty

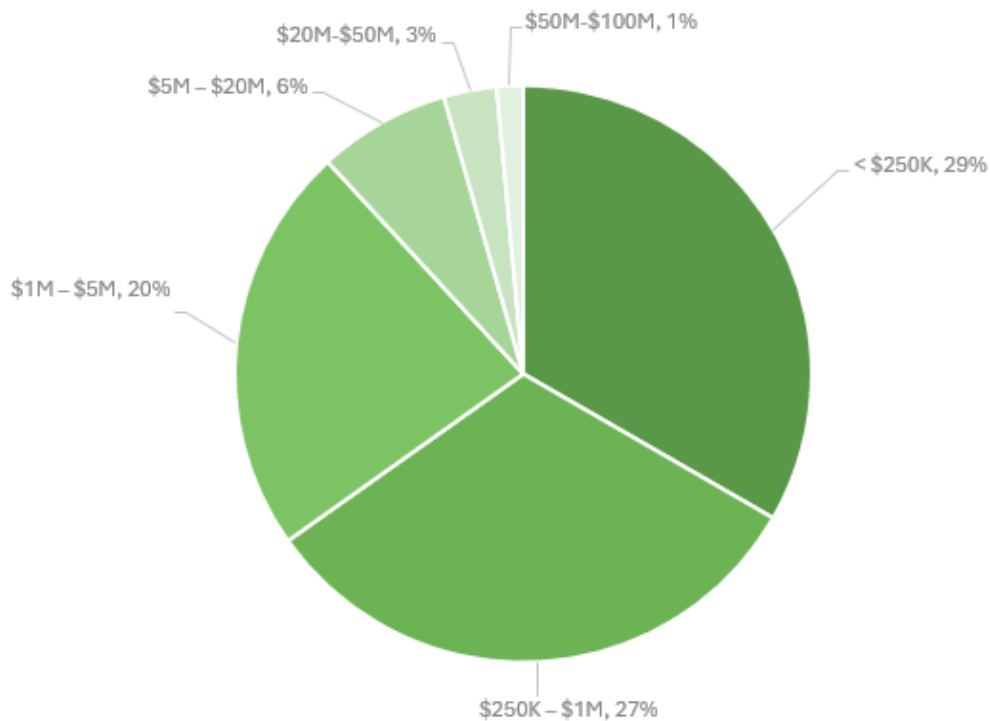
The value of lost investment varied:

- 29% estimated the lost investment at less than \$250,000
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- 20% at between \$1-\$5 million
- 6% between \$5-\$20 million
- 3% between \$20-\$50 million
- 1% between \$50-\$100 million.

\$271MM
of investment sidelined

Assuming the mid-point estimate for each range, the total value of delayed/reduced investment is estimated at \$271 million if these issues are not resolved.

Approximate value of investment that may be delayed or reconsidered due to recent policy changes and current political conditions



Impact of Increased Tourism Fees on Alberta's Visitor Economy

60% expect the possibility of a future referendum on separation to pause or delay investment.

Historical data demonstrates a direct relationship between capital investment and tourism expenditure, yielding a 3.9 investment multiplier.¹ Correspondingly, a decrease of \$271 million of investment results in a loss of \$1.1 billion in future visitor spending (equal to 7% of 2025 total visitor spending), \$775 million in GDP, 145 million in taxes (of which \$42 million accrues to the province, and \$28 million to municipalities) and 5,312 jobs.

All in all, in exchange for collecting \$102 million in direct ATL and VRT revenues, the province is forgoing \$271 million in investment, 6,125 jobs, \$893 in GDP growth, \$49 million in provincial taxes, and \$32 million in municipal taxes.

Tourism Industry Investor Sentiment Associated with the New Taxes and Political Uncertainty in the Province

- 60% of respondents expect the possibility of a future referendum on separation to significantly, or moderately, pause or delay investment.
- 42% of respondents have postponed (16%), scaled back (22%) and redirected (4%) investment due to recent policy changes or political uncertainty.
- 52% of respondents do not expect delayed/reduced investment to return before the next provincial election, 15% expect it to return within the next 12 months and 11% expect it to return within the next 6 months.

69% of the Alberta tourism businesses reporting a pullback in investment are located outside of the Jasper-Canmore-Banff regions



¹ Regression relationship derived by Verum Consulting, based on data inputs from Statistics Canada visitor spending (Table 36-10-0230-01), and Statistics Canada Tourism Investment Module <https://www150.statcan.gc.ca/n1/daily-quotidien/250213/dq250213b-eng.htm>

Economic Loss due to higher ATL, VRT, Uncertainty on Tourism Industry (\$M)

| | VISITOR SPENDING | GDP | JOBS | PROVINCIAL TAX | MUNICIPAL TAX | FEDERAL TAX |
|---|------------------|--------------|-------------|----------------|---------------|-------------|
| Reduction due to ATL and VRT increases | \$164 | \$118 | 813 | \$6 | \$4 | \$12 |
| Reduction due to \$271M investment loss | \$1,069 | \$775 | 5312 | \$42 | \$28 | \$76 |
| Total Reduction | \$1,233 | \$893 | 6125 | \$49 | \$32 | \$87 |

\$1,233 Billion
 impact of lost investment



