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# Estimating the Economic Boost of Marriage Equality in Iowa: Sales Tax



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## Executive Summary

- We estimate that the total spending on wedding arrangements and tourism by same-sex couples and their guests added a **\$12 to \$13 million** boost to the state and local economy of Iowa.
- This economic boost is likely to have added **\$850,000 to \$930,000** in tax revenue to state and local coffers.
- According to data provided by the State of Iowa, **866 in-state same-sex couples** chose to marry in the year following the April 2009 decision to allow same-sex couples the opportunity to wed.
- In the same year, an additional **1,233 out-of-state same-sex couples** traveled to Iowa to receive a marriage license.
- Out-of-state same-sex couples alone are estimated to have spent **\$2.2 million** on wedding arrangements in Iowa, translating to about **\$150,000** in additional tax revenue.
- It is possible that out-of-state same-sex couples spent up to an additional **\$1.6 million** on tourism during their brief stay in Iowa.
- Iowa marriage data include an additional 1,015 couples (71% residents) who did not state their gender, thus we are unable to distinguish if these couples were same-sex or different-sex. If all 1,015 additional couples were indeed same-sex couples, an additional \$7.4 million could have been added to the state and local economy, adding about \$530,000 in additional tax revenue to our estimates.

## Introduction

When Iowa extended the right to marry to same-sex couples in April 2009, thousands of couples chose to marry. As a result, the Iowa economy gained from spending on wedding-related goods and services by in-state and out-of-state same-sex couples. In this report, we

estimate the size of that impact on Iowa's businesses and on the state budget.

The figures in this report are based on the best available data from several sources. We draw upon data indicating average wedding

expenditures in Iowa and tourism reports from 2009 and 2010, along with data regarding marriage expenses by same-sex couples in other states. We also use data from the State of Iowa on the number of couples who have married in the year following the Iowa Supreme Court decision in *Varnum v. Brien*.

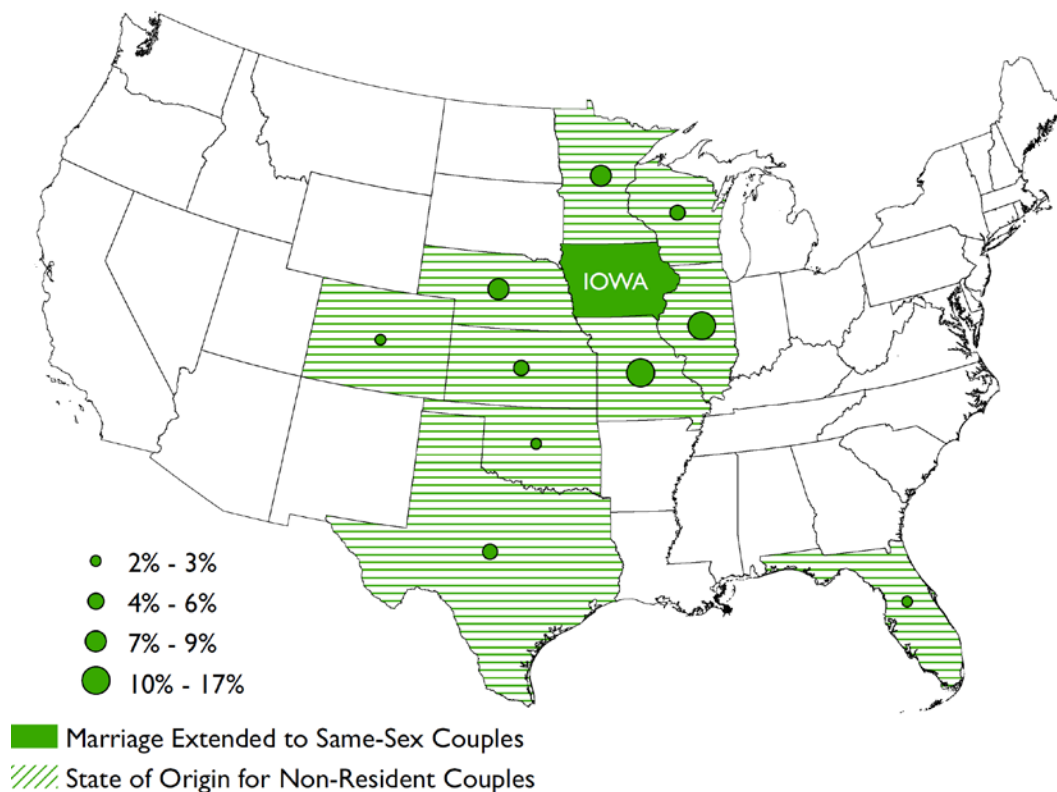
### Out-of-State Couples

In the first year following the decision, an estimated 2,099 marriage licenses were issued to same-sex couples, 59% of which were out-of-state same-sex couples.<sup>1</sup> Iowa permits both in-state and out-of-state same-sex couples to marry, thus offering the state's businesses the opportunity to benefit from the increase in wedding and tourism revenue as well as the resulting increase in sales tax revenue.

Iowa is situated in the heart of the Midwest, bordered by seven states that do not extend marriage rights to same-sex couples. As such, it was likely that when Iowa extended marriage rights to same-sex couples, the state would become a destination for out-of-state same-sex couples looking for the opportunity to marry. Of the total number of marriages performed by same-sex couples during the first year following the decision, 866 couples lived in Iowa, and 1,233 couples were made up of non-residents.

Interestingly, the top five contributors of non-resident couples were surrounding states in the Midwest. Illinois was the largest contributor, contributing 17% of all out-of-state couples that married in Iowa.<sup>2</sup> The states represented with a hatched pattern in Figure 1 indicate the top ten states that contributed to Iowa marriages of

**Figure 1. Top Ten States Who Contributed to Iowa Marriages of Same-Sex Couples (Ranked by share of non-resident same-sex couples married in Iowa)**



same-sex couples, with the proportion of out-of-state couples signified by the size of the circle centered on each state. The couples from these top ten states account for 71% of all out-of-state same-sex couples that married in Iowa.

The data, which indicate a large number of out-of-state couples receiving marriage licenses as compared to in-state couples, are supported by the experiences of other states permitting marriage by same-sex couples, such as Connecticut and Vermont.<sup>3</sup> When marriage rights became available to same-sex couples in San Francisco for one month in 2004, couples came from 46 states and eight countries to marry.<sup>4</sup> Media reports suggest that these out-of-state couples have generated notable tourism and wedding related spending in other states.<sup>5</sup>

## Wedding Spending

According to *The Wedding Report*, the average spending on weddings in Iowa from April 2009 to April 2010 was \$18,130.<sup>6</sup> As in previous studies by the Williams Institute, we estimate here that same-sex couples spend one-quarter of the amount that different-sex couples spend on wedding arrangements.<sup>7</sup> Due to societal discrimination, same-sex couples may receive less financial support from their parents and other family members to cover wedding costs, resulting in overall reduced spending. Accordingly, we assume that same-sex couples will have spent just over \$4,500 per wedding. Using this figure, the calculated total for the reported 866 resident couples sums to \$3.9 million in additional wedding spending.

Notably, only spending that comes from couples' savings would truly be "new spending" for the State's businesses, rather than money diverted from some other expenditure.

The wedding expense figure is most likely lower for out-of-state couples who decide to travel to Iowa to get married. As a conservative estimate, we assume that wedding spending by out-of-state couples is one-tenth of the typical wedding expense, or \$1,800.<sup>8</sup> The total expenditure for the reported 1,233 non-resident couples who married in the year following the decision is \$2.2 million in additional wedding spending.

## Expenditures during the Three Day Waiting Period

The State of Iowa implements a waiting period of three business days in order to receive a marriage license.<sup>9</sup> Therefore, the state's economy and state budget might also gain from tourism expenditures by non-resident couples.

However, non-resident couples may avoid the waiting period by applying for a waiver from the County Registrar or by obtaining a marriage license application form from the County Recorder website.<sup>10</sup> In 2009, there was a sizable increase in the number of waiting period waivers granted in the state of Iowa.<sup>11</sup> Unfortunately, the number of waivers distributed to same-sex couples and the number of couples who chose to mail in the paperwork cannot be determined from available data. Therefore, we calculate a range of estimates to account for the variation in the amount of time out-of-state couples remained in Iowa.

For our low-end estimate, we assume that all 1,233 same-sex non-resident couples would have either applied for a waiver or completed the marriage license paperwork beforehand. We also assume that these couples would stay in Iowa for at least one full day and night in order to host a wedding ceremony.

According to an Iowa Tourism Market Survey, average per diem expenditures for visitors to the state total \$239.41 per guest.<sup>12</sup> This figure includes transportation, lodging, food, shopping and entertainment. Therefore, we calculate that total tourism expenditures by out-of-state couples for their one day stay in Iowa, in addition to the estimated wedding spending, were \$590,000.

According to a report on the economic impact of tourism in Iowa counties, about 10.6% of total tourism expenses in 2009 were attributed to lodging accommodations.<sup>13</sup> In contrast, the Iowa Tourism Market Survey indicated that 30% of daily tourism expenditures in 2009 were attributed to lodging accommodations. After averaging the two reported figures (20.3%), we estimate that about \$120,000 of the total tourism expenses by the 1,233 out-of-state couples were for lodging accommodations.

For our high-end estimate, we assume that the entire boost in waiting period waivers granted in 2009, 128, was attributable to the influx of same-sex non-resident couples.<sup>14</sup> We also assume that these 128 couples would remain in Iowa for at least one full day and night to host a wedding ceremony. We assume that the 1105 non-resident couples who did not receive a waiver stayed in Iowa for the full three days of the waiting period.

We calculate that the high-end estimate of total tourism expenditures by out-of-state couples for their full stay in Iowa, in addition to estimated wedding spending, was \$1.6 million. This total includes about \$330,000 that is attributable to lodging accommodations.

### **Out-of-Town Guests**

In 2008, a report based on the Health and Marriage Equality in Massachusetts Survey

indicated that Massachusetts same-sex weddings included an average of 16 out-of-town guests.<sup>15</sup> We assume that same-sex couples who are residents of Iowa had a similar count of out-of-town guests at their ceremonies and that each of these guests spent the average amount spent by Iowa tourists for a one day visit (\$239.41). In addition, non-resident same-sex couples who traveled to marry in Iowa are assumed to have about 40% of the amount of out-of-state guests attending their ceremonies, which translates to about 6 guests.<sup>16</sup> The total estimate for out-of-town guests for both residents and non-resident same-sex marriages is calculated to be 21,254, leading to additional tourism expenditures of \$5.1 million.

### **Revenue: Sales Tax**

State and local governments have directly benefited from this increased spending through the state retail sales tax, the local option sales tax (LOST) and the local option Hotel/Motel tax. As indicated in Table 1, we estimate that the decision by Iowa to allow same-sex couples to marry has resulted in approximately \$12 to \$13 million in additional spending on weddings and tourism in the state.

The State of Iowa imposes a tax of 6% on the sale of most non-lodging services. Localities have the opportunity to add an additional 1% local option sales tax and an additional 5-7% tax on lodging accommodations, provided voter approval. The Hotel/Motel tax is applied in addition to a 5% state excise tax imposed on room rentals in any establishment offering sleeping quarters such as a hotel, motel, inn and bed-and-breakfast.<sup>17</sup> While the Hotel/Motel tax can vary across the state, a standard rate of 7% is applied in the cities and counties most likely to attract same-sex couples such as Des Moines, Iowa City and Davenport.<sup>18</sup>

In addition, about 70% of marriages by same-sex couples were performed in counties that have imposed an additional 1% LOST tax.

By applying the various tax percentages to the categories in Table 1, we estimate that the overall spending boost has generated \$850,000 to \$930,000 in tax revenue for state and local governments in the first year following the decision. The results of our calculations are displayed in Table 2.

A further breakdown of tax revenue by type shows that the LOST tax and the Hotel/Motel tax provided an estimated \$160,000 to \$180,000 of tax revenue directly to local governments (Table 3).

### Further Impacts

The economic impact of travel and tourism by same-sex couples seeking to marry in Iowa is more far reaching than calculating the effect on state and local sales tax. For example, tourism expenditures are often directly related to employment opportunities in the travel industry. According to a report on the economic impact of tourism in Iowa counties in 2009, every \$95,963 spent by travelers in Iowa generated one job.<sup>19</sup> If we use our calculated tourism expenditure estimates, we conclude that extending the right to marry to same-sex couples generated approximately 59 to 70 jobs in the travel industry.<sup>20</sup>

### Additional Couples

Notably, the recent Iowa data include 1,015 couples who did not state their gender, 71% of which were residents.<sup>21</sup> These couples could not be classified as same-sex or different-sex and are only included in this report in order to generate an overall estimate of possible spending figures. If all of these additional couples were indeed same-sex couples, and if

they had the same expenditure patterns as the other couples, including them would raise the figures for spending to \$20 million, thus resulting in \$530,000 in additional tax revenue.

### Conclusion

In this study, we drew on information regarding marriage spending by same-sex couples in other states, along with Iowa wedding expenditure and tourism data, to estimate the economic boost since Iowa extended the right to marry to same-sex couples. Our calculations indicate that the total spending on wedding arrangements and tourism by same-sex couples and their guests was about \$12 to \$13 million in the first year alone. We estimate that this economic boost generated about \$850,000 to \$930,000 in tax revenue for the state and various localities.

It is important to note that allowing out-of-state same-sex couples the opportunity to wed resulted in an influx of \$4.6 to \$5.7 million for Iowa businesses. This increase accounted for about 40%-44% of the total tax revenue generated from the 2,099 marriages by same-sex couples.

The overall spending was even higher if any of the over one thousand couples who did not list their sex were same-sex couples. Our estimates here would increase to \$20 million when including spending by those additional 1,015 couples. This increase in spending would translate to an additional \$530,000 in tax revenue, resulting in an overall total of \$1.5 million for state and local governments.

We note that sales taxes only capture the most direct tax impact of increased tourism and wedding expenditures. Businesses and individuals also pay taxes on the new earnings generated by wedding spending, providing a further boost to the state budget.

**Table 1. Iowa Wedding Spending and Tourism Figures by Same-Sex Couples and their Guests**

<b>SPENDING</b>	<b>Resident</b>	<b>Non-Resident</b>	<b>Total</b>
# of Marriages by Same-Sex Couples	866	1233	<b>2099</b>
Wedding Spending- Per Couple	\$4,533	\$1,813	
Wedding Spending- All Couples	\$3,925,145	\$2,235,429	<b>\$6,160,574</b>
Out-of-Town Guest Spending	\$3,317,258	\$1,771,152	<b>\$5,088,410</b>
Additional Same-Sex Couple Tourism Spending			
LOW END*	\$0	\$590,384	<b>\$590,384</b>
HIGH END**	\$0	\$1,648,574	<b>\$1,648,574</b>
<b>TOTAL SPENDING</b>			
LOW END*	\$7,242,403	\$4,596,965	<b>\$11,839,368</b>
HIGH END**	\$7,242,403	\$5,655,155	<b>\$12,897,558</b>

**Table 2. Tax Revenue from Wedding Spending and Tourism by Same-Sex Couples and their Guests**

<b>TAX REVENUE</b>	<b>Resident</b>	<b>Non-Resident</b>	<b>Total</b>
# of Marriages by Same-Sex Couples	866	1233	<b>2099</b>
Tax Revenue- Per Couple	\$304	\$121	
Tax Revenue- All Couples	\$262,985	\$149,774	<b>\$412,758</b>
Out-of-Town Guest Tax Revenue	\$257,947	\$137,723	<b>\$395,670</b>
Additional Same-Sex Couple Tourism Tax Revenue			
LOW END*	\$0	\$45,908	<b>\$45,908</b>
HIGH END**	\$0	\$128,191	<b>\$128,191</b>
<b>TOTAL TAX REVENUE</b>			
LOW END*	\$520,931	\$333,404	<b>\$854,336</b>
HIGH END**	\$520,931	\$415,688	<b>\$936,620</b>

**Table 3. Tax Revenue by Type of Tax**

TAX REVENUE	Local Option Hotel/Motel Tax	Local Option Sales Tax	State Sales Tax	Total
LOW END*	\$80,696	\$74,774	\$698,866	<b>\$ 854,336</b>
HIGH END**	\$95,733	\$80,678	\$760,209	<b>\$ 936,620</b>

\*All low-end estimates include a 1 day/night stay for all non-resident same-sex couples

\*\*All high-end estimates include a 1 day/night stay for the 128 non-resident couples with waivers, and a 3 day/night stay for the 1055 non-resident couples without waivers

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## Endnotes

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<sup>1</sup> Data on marriages were provided to the Williams Institute by the state of Iowa and were broken down by residency and gender. Data covered roughly the first eleven months since marriage for same-sex couples began (4/27/09 through 3/31/10), which totaled 2,020 couples. We projected out to a full year by adding the average of the first three months of 2010, or 79 couples. This gave us a total of 2099 marriages in the first year. We then applied the residency rate (41%) found in the first eleven months to our projected full-year count.

<sup>2</sup> Badgett, M.V. Lee & Herman, Jody L. (2011). *Patterns of Relationship Recognition by Same-Sex Couples in the United States*. Los Angeles: The Williams Institute.

<sup>3</sup> Data on marriages were provided to the Williams Institute by the states of Connecticut and Vermont and were broken down by residency.

<sup>4</sup> Teng, Mabel S., San Francisco Assessor-Recorder. (2004). Demographics Breakdown of Same Gender Marriages. Referenced from *The Impact on Iowa's Budget of Allowing Same-Sex Couples to Marry*. Los Angeles: The Williams Institute. (2008).

<sup>5</sup> Bly, Laura. (2004, February 26). Localities Cashing in on Same-Sex Marriages. *USA Today*. Retrieved September 6, 2011, from [http://www.usatoday.com/travel/news/2004-02-26-same-sex-marriage\\_x.htm](http://www.usatoday.com/travel/news/2004-02-26-same-sex-marriage_x.htm)

<sup>6</sup> This figure was calculated using the average per-wedding expenditure data in Iowa for 2009(\$16,877) and 2010(\$20,636). The first year in which Iowa extended the right to marry to same-sex couples was April 2009 to April 2010. The average over this period was calculated using the 2009 figure for the 8 months in 2009 and the 2010 figure for the 4 months of 2010.

<sup>7</sup> Badgett, M.V. Lee & Gates, Gary J. (2006). *The Effect of Marriage Equality and Domestic Partnership on Business and the Economy*. Los Angeles: The Williams Institute.

<sup>8</sup> Badgett, M.V. Lee, Baumle, Amanda K., Romero, Adam P., & Sears, Brad. (2008). *The Impact On Iowa's Budget Of Allowing Same-Sex Couples To Marry*. Los Angeles: The Williams Institute.

<sup>9</sup> Lambda Legal Iowa Marriage Fact Sheet. (2009, April 3). Retrieved from <http://www.lambdalegal.org/publications/factsheets/>

<sup>10</sup> There is a \$5.00 fee payable to the County Registrar to waive the waiting period. The parties are responsible for locating a judge within the judicial district of the county in which they are filing the marriage license to grant the waiver. If a couple chooses to download the marriage application ahead of time, they must notarize the paperwork and wait for three days after the County Recorder receives the completed form to pick up their marriage license in person. See Iowa Department of Public Health. Marriage Application (April 2009). Retrieved from <http://www.polkrecorder.com/marriageappnew.pdf>;  
Russell, Meghan. Waive the Wait. *Equally Wed*. Retrieved on September 6, 2011 from <http://equallywed.com/gay-wedding-planning/legal-advice-for-gays-lesbians/waive-the-wait.html>;  
<http://www.storycounty.com/index.aspx?dn=-775,22,6,1,documents>.

<sup>11</sup> Data on the number of marriage waivers granted were provided to the Williams Institute by the state of Iowa and were broken down by year.

<sup>12</sup> Iowa Tourism Office. 2010 Marketing Follow-up Survey. Retrieved from <http://www.traveliowa.com/downloads/2010MarketingFollow.pdf>

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<sup>13</sup> Research Department of the U.S. Travel Association. The Economic Impact of Travel on Iowa Counties 2009. Retrieved from <http://www.traveliowa.com/travelindustryresearch.aspx>

<sup>14</sup> Data on the number of marriage waivers granted were provided to the Williams Institute by the State of Iowa and were broken down by year. The boost in waivers, 128, was calculated by subtracting the average number of waivers granted between 2006 and 2008 from the number of waivers granted in 2009.

<sup>15</sup> Goldberg, Naomi G., Steinberger, Michael D. & Badgett, M.V. Lee. (2009). *The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey*. Los Angeles: The Williams Institute.

<sup>16</sup> Konnoth, Craig J., Badgett, M.V. Lee, & Sears, Brad. (2011). *Spending On Weddings of Same-Sex Couples in the United States*. Los Angeles: The Williams Institute.

<sup>17</sup> Iowa Department of Revenue. Iowa Retail Sales & Use Tax Report FY2010. Retrieved from <http://www.iowa.gov/tax/educate/suta10.pdf>

<sup>18</sup> Noel, Josh. (2009, June 22). Iowa's Gay-Marriage Law Sparks Tourism. *The Seattle Times*. Retrieved from [http://seattletimes.nwsourc.com/html/travel/2009369506\\_webgayiowa22.html](http://seattletimes.nwsourc.com/html/travel/2009369506_webgayiowa22.html).

<sup>19</sup> Iowa Department of Economic Development. 2009 Economic Impact of Travel on Iowa Counties. Retrieved from <http://www.traveliowa.com/downloads/tourismimpact09.pdf>

<sup>20</sup> These employment figures were generated by using the tourism expenditures for non-resident same-sex couples and the total out-of town guest spending.

<sup>21</sup> The Iowa marriage application form was revised in April 2009 to include gender neutral terminology. Previously, the form included space for the "bride" and "groom" to fill in their respective information with gender implied by title. By default, this limited the ability of a couple to choose whether to state their gender or not. The revised form offers space for "Party A" and "Party B" to fill in their respective information with check boxes for labels such as bride, groom or spouse and an optional space to indicate the gender of each "Party." Thus, the available data do not allow us to compare the number of couples who did not state their gender in 2009 to those in previous years. See [http://usmarriagelaws.com/search/united\\_states/iowa/marriage\\_licenses/application.pdf](http://usmarriagelaws.com/search/united_states/iowa/marriage_licenses/application.pdf)