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Tourism and Tax Revenues: An Overlooked Link to Municipal Bonds.

International travel plays a key role in the stability of the municipal bond market. Explore how a slowdown in tourism can impact revenue bonds, local budgets, and investor sentiment.

As investors in the municipal bond space, we spend much of our time tracking rate movements, credit trends and fiscal policy. But one external force that could quietly reshape state and local government finances, and in turn, the municipal bond market, is a slowdown in international tourism to the United States. For many municipalities, foreign visitors represent a critical stream of tax revenue. When that revenue disappears or declines meaningfully, the impact can cascade from local budgets to bond markets, particularly for investors exposed to certain kinds of revenue-backed debt.

Why International Tourism Trends Matter for the Municipal Bond Market

International travelers aren't just sightseeing, they're spending. And that spending translates into real dollars for states and cities through sales taxes, hotel and occupancy taxes, and transportation-related levies. Places like Florida, New York, Nevada, and California depend heavily on this activity to fund essential services.

In Florida, for example, state sales tax collections topped $36 billion in fiscal year 2023, equal to more than 70% of the state's general revenue according to the Florida Department of Revenue. Similarly, hotel taxes are a core revenue source in cities like Las Vegas and New Orleans — revenue that declines in lockstep with falling occupancy rates. Add to this the transportation-related taxes from rental cars and ride-hailing services in tourist-heavy metros like San Francisco or Los Angeles, and you begin to see just how embedded tourism is in municipal fiscal health.

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