

Fiscal Estimate Narratives

DOR 3/1/2004

LRB Number	03-3775/2	Introduction Number	AB-918	Estimate Type	Original
Subject					
Relating to: changes to the room tax law and the creation of destination marketing organizations and tourism committees					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, local exposition districts and municipalities are allowed to impose a "room tax" of up to 8%. The tax is imposed on the privilege of providing, at retail, rooms or lodging to transients by hotelkeepers, motel operators, or other persons providing accommodations. For taxes imposed after May 13, 1994, at least 70% of any room tax collections must be spent on tourism promotion and development. For taxes imposed before that date, the percentage of tax collections that were spent on tourism promotion on May 13, 1994, must generally be maintained at no less than that level.

Under current law, a single municipality that imposes a room tax may spend its tourism promotion directly. If two or more municipalities that impose a room tax agree that they are generally perceived to be a single tourism destination, they may form a commission to jointly promote tourism to their area.

Under the bill, a single municipality that imposes a room tax must contract with a destination marketing organization (DMO) or, if no DMO exists, the municipality must form a tourism committee. Room tax proceeds to be used for tourism promotion shall be turned over to the DMO or tourism committee to engage in activities that encourage overnight stays in hotels or motels in the municipality. Two or more municipalities can, at their option, enter into a contract to jointly promote their areas, subject to the same usage limitations as for single municipalities. All existing tourism commissions created by two or more municipalities shall be dissolved on March 31, 2005.

The bill first applies to room taxes collected on April 1, 2005. The bill affects who actually spends tourism promotion funds, but makes no changes in the percentage of room taxes that are to be earmarked for such use. The bill also does not affect room tax rates. Therefore, the bill should have no effect on room tax collections and little, if any, effect on total tourism promotion spending.

Long-Range Fiscal Implications