

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number **03-4330/1** Introduction Number **SB-505**

Subject
Changes to the room tax law; creation of destination marketing organizations

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No
 Create New Appropriations Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**
 GPR FED PRO PRS SEG SEGS

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Fiscal Estimate Narratives
DOR 3/1/2004

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Subject					
Changes to the room tax law; creation of destination marketing organizations					

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