

Fiscal Estimate Narratives

DOR 3/7/2006

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|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 05-4732/1 | Introduction Number | AB-1088 | Estimate Type | Original |
| Description Authorizing a premier resort area to limit or prohibit managed time-share projects and to impose a tax on the exchange of time-share units | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

The governing body of a municipality may, by resolution, impose a "room tax" of up to 8% on the rental of rooms or lodging to transients by hotelkeepers, motel operators, or other persons providing accommodations. Municipal room taxes are administered by the municipality that imposes the tax.

If 40% or more of a municipality's equalized value consists of tourism-related commercial property, the governing body may, by a two-thirds vote, declare itself to be a premier resort area. The City of Eagle River and the City of Bayfield may also declare themselves to be a premier resort area. At the present time, only three communities have declared themselves to be a premier resort area: Village of Lake Delton, City of Bayfield, and City of Wisconsin Dells. A premier resort area may impose a retail sales tax of 0.5%, called the premier resort area tax, on the sales of tourism-related entities. The tax is administered by the Wisconsin Department of Revenue.

Under current law, the room tax and the premier resort area tax do not apply to residential time-share agreements.

PROPOSED LAW

The bill affects managed time-share developments in municipalities that are a premier resort area. Managed time-share is defined by the bill as a residential time-share occupied periodically by a person other than the owner through rental or exchange where amenities common to hotels or resorts are offered.

The bill would allow a premier resort area to either prohibit or allow the development of a managed time-share project. However, if such projects are permitted, the municipality and the project owner must enter a written agreement that specifies how the daily rental value of each time-share unit will be calculated.

The bill also permits a premier resort area to impose the room tax, the premier resort area tax, or both taxes on the exchange of time-share units in a managed time-share project.

FISCAL EFFECT

Since the premier resort area room tax is administered by the municipality, this part of the bill will have no effect on Department of Revenue administrative costs.

The 0.5% premier resort area sales tax is administered by the Department of Revenue. The increase in costs to administer the change in this tax can be absorbed.

The Department of Revenue does not have any information which would permit a reasonable estimate of the increase in room tax or premier resort area tax collections that this bill would engender.

Long-Range Fiscal Implications