

### Fiscal Estimate - 2005 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>05-1391/4</b>	<b>Introduction Number</b> <b>AB-298</b>	
<b>Subject</b> Changes to the room tax law		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue      5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>		
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.380 (1) (b)		
<b>Affected Ch. 20 Appropriations</b>		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Daniel Huegel (608) 266-5705	Blair Kruger (608) 266-1310	4/14/2005

## Fiscal Estimate Narratives

DOR 4/14/2005

LRB Number	05-1391/4	Introduction Number	AB-298	Estimate Type	Original
<b>Subject</b>					
Changes to the room tax law					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Municipalities may 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. The tax may not be imposed on food or other items provided by the lodging facility, and may not be imposed on accommodations provided by hospitals, nursing homes, or religious, charitable, or educational organizations.

For taxes imposed after May 13, 1994, at least 70% of room tax collections must be spent on tourism promotion and development (the "70% rule"). A municipality may have its own tourism promotion and development programs. However, if two or more municipalities imposing the room tax believe they are generally perceived to be a single tourism destination, the municipalities must form a commission for tourism promotion and development.

There is no definition of what constitutes tourism promotion and development. There is also no requirement that municipalities or commissions report how the room tax revenues are used.

#### PROPOSED LAW

Tourism promotion and development would be defined as a marketing project, tourist informational service, or tangible municipal development significantly used by tourists that will generate paid overnight stays at facilities from which room tax revenues are raised.

The "70%" rule is retained. However, a commission may not use room tax proceeds to promote a privately owned convention center used to generate overnight stays at a single establishment.

Annually, on a form prepared or approved by the Department of Tourism (Tourism), every municipality imposing a room tax must report to Tourism how the prior year's room tax proceeds were expended. For a municipality that is a member of a commission, the commission must provide the municipality with the information to file this report.

Tourism must review these reports to determine if room tax proceeds were spent in accordance with the "70% rule". If Tourism finds that the "70% rule" may have been violated, it must forward its information to the Department of Revenue (DOR) for further review. If DOR determines that the "70% rule" was indeed violated, it must impose on the municipality a forfeiture of \$10 plus a surcharge of no more than 7% (minimum of \$500) of the insufficiency in tourism promotion and development spending. Municipalities must remit the surcharge to Tourism for deposit in the appropriation for tourism marketing.

#### FISCAL EFFECT

Except for the room tax imposed by local exposition districts, DOR does not administer or collect the room tax. DOR does not review how room tax proceeds are currently used. As a result, it is not possible to reasonably estimate how many municipalities may be referred to DOR by Tourism, or the amount of forfeitures and surcharges that would be engendered by the bill.

The \$10 retained by DOR for its auditing and enforcement duties under the bill would fall short of the agency's administrative costs.

### Long-Range Fiscal Implications