

Fiscal Estimate Narratives

DOR 6/11/2007

LRB Number	07-1551/1	Introduction Number	AB-0382	Estimate Type	Original
Description The percentage of room tax revenue that must be spent on tourism promotion and development					

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 room taxes first 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 and agree that they are generally perceived to be a single tourism destination, the municipalities must form a commission for tourism promotion and development.

PROPOSED LAW

Under the bill, most of the municipalities that impose the room tax would be required to spend at least 70% of room tax collections for tourism promotion and development.

As under current law, the requirement that 70% or more of room tax collections be used for tourism promotion and development would not apply to a municipality in a county with a population of at least 380,000 if the municipality uses at least 60% of its room taxes, or 60% of the portion of its room tax imposed at 7% or more, to fund all or part of the construction or renovation of a convention center. Based on the Department of Administration's population projections for January 1, 2007, this exception would apply to municipalities in the following counties: Dane, Milwaukee, and Waukesha.

FISCAL EFFECT

Based on data from financial report forms filed with the Department of Revenue (DOR), in 2005 there were 216 municipalities which imposed the room tax. Total collections were about \$43.6 million.

Except for the room tax imposed by local exposition districts, DOR does not administer or collect the room tax. DOR does not have the authority to review how room tax proceeds are used. In addition, data on the amount municipalities spend on tourism promotion and development are not separately reported in the annual financial reports filed with DOR. As a result, it is not possible to reasonably estimate how many municipalities would be affected by the bill or the increase, if any, in tourism promotion spending that the bill could engender.

This bill is expected to have no administrative effect or costs on DOR.

Long-Range Fiscal Implications