

Fiscal Estimate Narratives

DOR 1/14/2016

LRB Number	15-3692/1	Introduction Number	AB-0655	Estimate Type	Original
Description Changing the permitted uses of room tax revenues					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a municipality may retain a certain percentage of room tax revenues to be spent by the municipality for any public purpose. The municipality must forward the remainder of the revenue to a tourism commission or tourism entity to be spent on tourism promotion and tourism development. Current law defines "tourism promotion and tourism development" as expenditures by a commission or tourism entity on tourism marketing projects, tourist information services, and tangible municipal development that are significantly used by transient tourists and are likely to generate paid overnight stays at hotels and motels. The amount of room tax revenue a municipality may retain depends on when the municipality first imposed the tax. Generally, a municipality may retain approximately 30 percent of the room tax and must forward approximately 70 percent to a commission or tourism entity. Under 2015 Wisconsin Act 55, beginning in 2017, municipalities must report certain information regarding local room tax rates, collections, and expenditures to the Department of Revenue (DOR) on an annual basis.

The bill modifies the definition of tourism promotion and tourism development to include economic development. Under the bill, out of the approximately 70 percent of room tax revenue that must be spent on tourism promotion and tourism development, a municipality may spend any amount of that revenue on economic development and forward the remainder to a commission or tourism entity. The bill defines "economic development" as development designed to promote job growth or retention, expand the property tax base, or improve a municipality's overall economic vitality. The bill would also require municipalities to provide DOR with a detailed accounting of room tax revenue spent by the municipality on economic development on an annual basis.

The bill will not affect local room tax collections or total expenditure amounts. In 2014, municipalities collected approximately \$73 million in local room tax revenue. The department does not currently possess information on the amount of room tax revenue spent on tourism promotion and tourism development or for other purposes.

Long-Range Fiscal Implications