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UPPER PENINSULA ROOM ASSESSMENT

House Bill 4477 as enrolled
House Bill 4478 as enrolled
Second Analysis (1-16-90)

Sponsor: Rep. Pat Gagliardi
House Committee: Taxation
Senate Committee: Finance

THE APPARENT PROBLEM:

The Upper Peninsula Travel and Recreation Association (UPTRA) has asked the legislature for authorization to levy an assessment on room charges to provide a stable source of funding for its efforts to promote tourism, which is increasingly important to the economy of that region.

THE CONTENT OF THE BILL:

House Bill 4477 would create the Regional Tourism Marketing Act, under which the Upper Peninsula Travel and Recreation Association (identified as a regional marketing organization that has been operating for ten or more years in a region composed of 15 counties) could levy a monthly assessment of up to one percent on room charges to fund a tourism marketing program. The assessment would be levied against facilities with ten or more rooms for sleeping, although facilities with fewer rooms could be voluntarily subject to the assessment. (A facility "located within one mile of a ski lift" could also voluntarily be assessed but would otherwise be exempt, along with such facilities as college dormitories, hospitals, nursing homes, and hospices. Condominiums or time sharing units used by transient guests would be included as facilities to be assessed.) Businesses subject to the assessment could add the cost to the bills of their guests, but if they did, the bill would have to disclose the charge. Mackinac Island would be exempt from the assessment (as a special charter, fourth class city). House Bill 4478 would make complementary amendments to the Community Convention or Tourism Marketing Act (MCL 141.873 and 141.875).

The process for establishing a tourism marketing program under House Bill 4477 is as follows. The regional marketing organization would have to notify the director of the Department of Commerce of its intention to establish a program, explaining the nature of the program and the size of the assessment on room charges. Those who would be subject to the assessment would also have to be notified. The director of the Department of Commerce would have 30 days to approve or disapprove the proposal. (Disapproval could only be based on a proposal's failure to meet the requirements of this bill.) Within 40 days after an approval, the director would have to conduct a written referendum by mail among the businesses to be assessed on a one room-one vote basis. If the proposal was approved at referendum, the program and assessment would take effect on the first day of the month that was 30 days after certification of the referendum. If affected businesses rejected the proposal, a new proposal could be submitted no sooner than one year later. Once a program had been in operation for two years, at the written request of 40 percent of affected business owners or owners of 40 percent of affected rooms, a referendum would be held on whether the program should be discontinued. If such a referendum failed, it could not be attempted again for one year. (Facilities that are not required to pay the assessment but are willing to do so voluntarily would not have a vote in a referendum; this means, facilities with fewer than ten rooms and facilities within one mile of a ski lift.)

If a business was subject both to an assessment under House Bill 4477 and under the Community Convention or Tourism Marketing Act, its new regional tourism marketing assessment could be paid to the entity collecting the other assessment, and the regional marketing organization would reimburse the other entity for reasonable administrative costs; the costs could be withheld from payments made to the regional organization. House Bill 4478 would amend the Community Convention or Tourism Marketing Act to allow the collection and distribution of the new assessment and the withholding of administrative costs. House Bill 4478 is tie-barred to House Bill 4477.

House Bill 4477 specifies that the assessment revenues would not be state funds, and they could only be spent by the regional marketing organization for activities under its tourism marketing program. The organization's financial statements would have to be audited at least annually by an independent certified public accountant. Copies of the audited financial statement would have to be sent to assessed businesses, and to the director of the Department of Commerce, within 150 days of the close of the organization's fiscal year, along with a detailed report of activities conducted under the marketing program.

BACKGROUND INFORMATION:

According to the House Taxation Committee staff, there are currently five laws providing for assessments or levies against hotel rooms by counties, convention bureaus, or the state. The only existing act applying to rooms in the Upper Peninsula is the Community Convention or Tourism Marketing Act, under which a convention or tourism bureau can levy an assessment of up to two percent on room charges in facilities with 10 or more rooms. (House Bill 4477 is very similar to that act.) The assessment can be levied by a county or combination of counties with no more than 650,000 of population, or a city, village, or township within the county. There are said to be ten such bureaus in the U.P. levying this assessment. House Bills 4477 and 4478 would allow those bureaus to collect the additional assessment and pass them on to the regional marketing organization (UPTRA).

FISCAL IMPLICATIONS:

According to the House Taxation Committee staff, the assessment at one percent would raise about $300,000. The revenue, however, would not be state funds as the assessment is levied by and on behalf of a private, nonprofit organization. (4-19-89)

OVER

ARGUMENTS:

For:

An assessment on hotel and motel rooms in Michigan's Upper Peninsula would provide a stable source of funding for the tourist promotion activities that are essential to maintain and improve the health of the region's fundamentally important tourist industry. The region must compete for tourists with neighboring states, such as Wisconsin and Minnesota, and those in the tourist industry believe it is necessary to have a strong and sustained program of promotion specifically geared to attracting visitors to the U.P. The assessment would require the approval of the majority of those in the business of providing overnight accommodations (on a one room-one vote basis), and the revenue could be used only for the marketing program of the Upper Peninsula Travel and Recreation Association. The assessment would be on businesses with ten or more rooms (although others could pay voluntarily). The new act is modeled after the Community Convention or Tourism Marketing Act enacted in 1980. (It should be noted that facilities on Mackinac Island are exempt.)

Against:

Some businesses will likely object to being taxed by a private organization whose interests and goals they do not share.