



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 465 (as enrolled)
Sponsor: Senator Dale L. Shugars
Committee: Finance

Date Completed: 5-4-95

RATIONALE

A common method in the State to fund the promotion of tourism, or to develop convention activities or facilities, is for local units of government to impose and collect a tax on hotels and motels. Reportedly, there are six acts that allow local units of various sizes and types to impose these taxes. It has been pointed out that there is an inconsistency in the Use Tax Act and its interaction with the six hotel/motel tax acts.

Currently, under the Use Tax Act, the use tax applies to rooms or lodging furnished by hotel/motel operators or other persons who furnish accommodations available to the public on the basis of a commercial or business enterprise. The use tax is not levied, however, on the hotel/motel taxes added to room or lodging charges imposed under either the Convention and Tourism Marketing Act or the Community Convention or Tourism Marketing Act. This means, then, that while the hotel/motel taxes collected under two of the acts have been excluded from the calculation of the use tax applied to rooms and lodging, theoretically, under the other four acts the hotel/motel taxes imposed must be included when the use tax is applied to room charges. Reportedly, however, in practice the tax on hotel/motel rooms imposed in the various local units is not included in the calculation of the use tax. It has been suggested that the taxes imposed under the other four acts that allow local units to impose hotel/motel taxes also be exempted from the use tax.

CONTENT

The bill would amend the Use Tax Act to exempt from the use tax an assessment that was added to

a charge for rooms or lodging that would otherwise be subject to the use tax, imposed pursuant to the accommodations tax Act; the State Convention Facility Development Act; the Regional Tourism Marketing Act; or Public Act 180 of 1992 (which allows certain local units to finance stadium or convention facilities with an excise tax on restaurants, bars, hotels, and motels). The bill would apply to use taxes levied after 1980.

MCL 205.92

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would bring the Use Tax Act up to date regarding the application of the tax to taxes collected under various laws that allow the collection of hotel/motel taxes. While the use tax is correctly applied to the price of rooms and lodging, it should not be applied to other taxes levied on the price. Currently, the Act excludes the taxes collected under two hotel/motel tax acts from the calculation of the use tax. By excluding the taxes collected under the other four acts that allow local units to impose hotel/motel taxes, the bill would make the application of the use tax consistent among all the acts.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have very little, if any, fiscal impact on State government. Based on information from the Department of Treasury, the current practice for calculating the use tax on hotel and motel rooms typically does not include the county accommodations tax in the taxable price of the room. Therefore, the bill apparently would bring the Use Tax Act into conformity with current general practice regarding the use tax on hotel and motel rooms.

Fiscal Analyst: J. Wortley

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