Legislative Analysis

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ACCOMODATIONS TAX

House Bill 5241 (Substitute H-1)
Sponsor: Rep. James Koetje

Committee: Tax Policy
First Analysis (2-20-04)

BRIEF SUMMARY: The bill would amend the Accommodations Tax Act to provide a "grandfather" clause to Kent County to allow it to levy the tax even after it no longer met the eligibility criteria due to population growth.

FISCAL IMPACT: The bill would have no state or local fiscal impact.

THE APPARENT PROBLEM:

Under the Accommodations Tax Act (Public Act 263 of 1974), the board of commissioners of a county with a population of less than 600,000 that includes a city with a population of at least 40,000 may levy an accommodations (hotel-motel) excise tax up to five percent from persons engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes, with certain exceptions. Revenue from the tax is to be deposited into a special fund used by the county (or other authority organized under state law) to pay for, among others, the acquisition, construction, improvement, enlargement, repair, or maintenance of convention and entertainment facilities, including the payment of the principal and interest on bonds issued to finance such facilities, or for the promotion and encouragement of tourism and convention business in the county.

The Accommodations Tax Act limits a county's population to 600,000. Counties with a population exceeding 600,000 levy the hotel-motel tax under the State Convention Facility Development Act (Public Act 106 of 1985). That act levies a tax between 1.5 percent and 6 percent, depending on the number of rooms in the hotel and the city in which the hotel is located. Revenue from the tax is deposited into the Convention Facility Development Fund and disbursed to local units of government to acquire, construct, improve, enlarge, renew, replace, or lease a convention facility.

Kent County, with a population less than 600,000 according to the last decennial census, currently levies a hotel-motel tax under the Accommodations Tax Act. In November 2001, the Kent County Board of Commissioners extended the hotel-motel tax until 2032, to finance the debt of a 30-year bond proposal to pay approximately $90 million of the $220 million cost for the De Vos Place Convention Center in Grand Rapids. The remaining cost of the convention center is paid for by the City of Grand Rapids, the state, the Grand Rapids-Kent County Convention Arena Authority, and private donors.

According to the 2000 census, the population of Kent County was 574,335. It is expected that the county's population in the 2010 census will exceed 600,000, at which point the county would no longer be eligible to levy a hotel-motel tax under the Accommodations Tax Act. While the county could levy the tax under the State Convention Facility Development Act, money from that tax would be used for purposes other than paying off bonds from De Vos Place. In addition, that act prohibits the tax from being imposed after December 31, 2015. Legislation has been introduced to permit Kent County to continue to levy the hotel-motel tax under the Accommodations Tax Act.

THE CONTENT OF THE BILL:

The bill would amend the Accommodations Tax Act to specify that if a county meets the requirements to be permitted to levy the hotel-motel tax on the date it enacts an ordinance levying the tax pursuant to the act, it could continue to levy, assess, and collect the hotel-motel tax indefinitely.

MCL 141.862

ARGUMENTS:

For:

The bill is necessary to allow Kent County to continue to levy the hotel-motel tax and use the revenue from the tax to pay off bonds for the construction of De Vos Place. The bonds are to be paid off by 2032. It is expected that that county's population will exceed the maximum level of 600,000 by the 2010 census. After that point, without this bill, the county would no longer be able to levy the tax, thereby leaving the county with a major financial problem.

POSITIONS:

Representatives of Kent County testified in support of the bill. (2-18-04)

Legislative Analyst: Mark Wolf
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.