Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

STATE CONVENTION FACILITY DEVELOPMENT ACT

House Bill 5545
Sponsor: Rep. Dave Hildenbrand
Committee: Tax Policy

Complete to 5-22-06

A SUMMARY OF HOUSE BILL 5545 AS INTRODUCED 1-11-06

The State Convention Facility Development Act imposes an accommodations (hotel-motel) excise tax of 1.5 percent to 6 percent per room—depending on the number of rooms and where the hotel is located—in counties with a population of at least 600,000 as of the last decennial census (i.e. Wayne, Oakland, and Macomb counties). House Bill 5545 would increase the population threshold to 750,000.

Revenue from the tax, along with revenue from the four percent excise tax on spirits under the Liquor Control Code, is deposited into the Convention Facility Development Fund and disbursed to local governments to acquire, construct, improve, enlarge, renew, replace, or lease a convention facility, or to refinance those activities. The fund is primarily used to make debt service payments for Cobo Hall in Detroit, although outstate counties receive funding based on the amount of liquor taxes collected.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

BACKGROUND INFORMATION:

Counties with a population of less than 600,000 that include a city with a population of at least 40,000 may levy a hotel-motel tax of up to five percent under Public Act 263 of 1974. Revenue from that tax is to be deposited into a special fund used by the county (or other authority organized under state law) to pay for, among other things, 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 businesses in the county.

Kent County has a population of less than 600,000 according to the last decennial census, and currently imposes a hotel-motel tax under Public Act 263. 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 DeVos Place Convention Center in Grand Rapids. The remaining cost for 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.

As of the 2000 census, the population of Kent County was 574,335, and it is expected that the county's population in the 2010 census will exceed 600,000. Last session, the legislature and the governor enacted Public Act 118 of 2004 (HB 5241) to amend P.A. 263 to specify that if a county meets the population requirements of the act on the date it enacts an ordinance levying the tax, the county may continue to levy, assess, and collect the tax. Without this amendment, the hotel-motel tax in Kent County would have been imposed under the State Convention Facility Development Act, rather than P.A. 263, with revenue from the tax used for purposes other than paying off bonds for DeVos Place. Apparently, however, unless the population threshold in the State Convention Facility Development Act is also amended, hotel rooms in Kent County could potentially be subject to taxation under both acts.

Legislative Analyst: Mark Wolf
Fiscal Analyst: Rebecca Ross